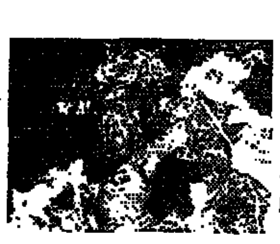
Eastern Europe's revolution turns against women
Page I



On the trail of our man in Havana
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The cornered tigers of Ranthambhore
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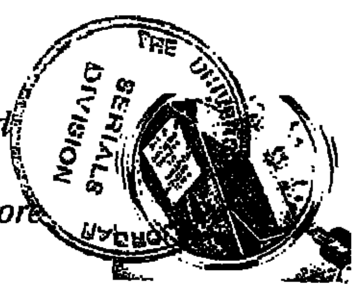


Plague and pestilence
The global comeback of infectious diseases
Page 7

FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND AUGUST 21/AUGUST 22 1993

GEC Alsthom wins $2.4bn Korean railway contract

The battle for one of the world's biggest high-speed train projects was decided when the South Korean government chose GEC Alsthom, Anglo-British joint venture, to supply rolling stock and technology for its planned high-speed line.

GEC Alsthom's Train à Grande Vitesse was selected ahead of Germany's Inter-City Express and Japan's Shinkansen. The contract for the 400km line between Seoul and the port of Pusan is worth about $2.4bn (£1.61bn). Page 22

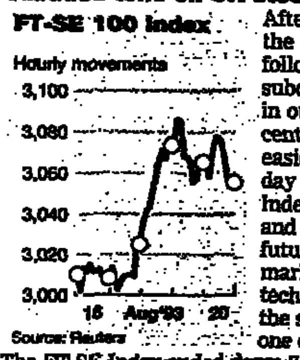
Cadbury Schweppes strengthened its position in the US soft drinks market with the $231.3m acquisition of a further 20.2 per cent stake in the Dr Pepper/Seven-Up group, taking its shareholding to 25.9 per cent. Page 22; See Lex; Injecting extra fizz to its global ambitions, Page 8

Investor, main holding company of Sweden's powerful Wallenberg family, blamed a worse performance from Saab-Scania, its vehicle and aerospace arm, and lower capital gains, for an 80 per cent drop in first-half profits after financial items, to SKr406m ($51m). Page 10

Eurotunnel seeks arbitration: The International Chamber of Commerce in Paris was asked by Eurotunnel to arbitrate in a long running dispute between the operator of the Channel tunnel and British Rail and SNCF, the UK and French national railways. Page 8

Reform battle on the streets: Thousands of demonstrators, braving wind and rain, carried Russia's battle between conservatives and reformers on to the streets of Moscow as rival political groups commemorated the second anniversary of the failed hardline coup. Page 3

Subdued tone on UK stock market



Source: Reuters

After a brave start, the UK stock market followed the more subdued tone evident in other global dealing centres to close slightly easier on the day. Expiry day in London's FT-SE Index traded options and in New York's futures and options markets brought some technical activity but the session was generally one of consolidation. The FT-SE Index ended down 7.9 at 3,057.6. Page 13

Caravaggio discovered: A painting which hung unrecognised for years in a Jesuit building in the Irish capital, Dublin, has been authenticated as the work of seventeenth century Italian artist Caravaggio, and been valued at between £25m and £50m ($37.5m to $75m).

Anti-corruption drive launched: China launched a nationwide campaign to combat corruption which Communist leaders believe is undermining their authority and threatening their party's future. Page 3

Demjanjuk delay: Israel's chief judge put off the release of John Demjanjuk until at least September 2 so Nazi hunters and Holocaust survivors angry at his acquittal as Treblinka death camp guard "Ivan the Terrible" could argue their case that he should be tried for other alleged war crimes.

Disney closure talk dismissed: Michael Eisner, chairman of Walt Disney, the US entertainment and leisure group, has dismissed as "ridiculous" speculation that EuroDisneyland, the French theme park, may be forced to close because of financial problems. Page 10

UK still unhappy over tax law: British officials are hastily seeking to reverse the impression that proposed changes to the California tax law, agreed by senators this week, would satisfy their complaints about the state's system of unitary taxation which the UK government has been fighting for two decades. Page 2; Seeking a company tax deal, Page 2

UK trade deficit grows: Britain's visible trade gap with non-European Community countries widened in July to a seasonally adjusted £778m ($1.1bn) last month from June's revised total of £599m as a fall in exports and increased imports ended four months of improvement. Page 5

Japan quells rate cut speculation: Japan's government tried to quell speculation that it had secretly agreed with Washington to cut its official discount rate from 2.5 per cent. Page 2

■ STOCK MARKET INDICES

FT-SE 100	3057.8	(-7.9)
Yield	3.75	
FT-SE Eurotrack 100	1297.31	(-6.76)
FT-A All-Share	1518.01	(-0.2%)
Nikkei	20,607.26	(-80.21)
New York lunchtime		
Dow Jones Ind Ave	3602.63	(-9.50)
S&P Composite	455.58	(-0.85)

■ US LUNCHTIME RATES

Federal Funds	2 13/16%
3-mo Treas Bills: Yld	3.034%
Long Bond	100 3/16
Yield	6.224%

■ LONDON MONEY

3-mo Interbank	5 15/16%	(5 15/16%)
Life long gilt future:	Sep 112 13/32	(Sep 112 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.985	(16.93)

■ Gold

New York Comex (Dec)	$376.4	(374.4)
London	$373.25	(373.0)

■ STERLING

New York: lunchtime		
$	1.5127	
London:		
$	1.511	(1.5055)
DM	2.5375	(2.54)
FFr	8.8275	(8.8775)
SFr	2.2325	(2.235)
Y	158.5	(156.75)
£ Index	81.5	(81.4)

■ DOLLAR

New York: lunchtime		
DM	1.6765	
FFr	5.83425	
SFr	1.4725	
Y	104.6	
London:		
DM	1.68	(1.6865)
FFr	5.8425	(5.8975)
SFr	1.478	(1.485)
Y	104.85	(104.15)
$ Index	65.5	(Same)

Tokyo close Y 104.45

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Bundesbank president-elect says sharp rise in D-Mark is undesirable

Tietmeyer raises rate cut hopes

By David Waller in Frankfurt

THE Bundesbank yesterday prompted renewed speculation about the likelihood of further cuts in German interest rates by saying these might be possible as long as inflation and monetary developments permitted.

Mr Hans Tietmeyer, deputy-president and president-elect of the Bundesbank, also said a substantial appreciation of the D-Mark within Europe was "undesirable" because of the need to preserve exporters' competitiveness.

His remarks about the possibility of more small cuts in interest rates led yesterday to a further depreciation in the value of the D-Mark against most European currencies.

Mr Tietmeyer's comments were contained in a speech he was due to give at a bankers' conference in Jackson Hole, Wyoming. Mr Tietmeyer did not attend the conference but the speech was distributed by the German central bank as an authorised policy statement.

The French franc, in particular, continued to strengthen against the German currency, helped by the effect of two cuts in the Bank of France's lending rates earlier this week.

The franc closed at FFr3.478 against the D-Mark from a previous FFr3.495.

Mr Tietmeyer's comments revived speculation about the timing of a cut in the German discount rate from its current level of 6.75 per cent. However, it was unclear yesterday when the Bundesbank would judge the time to be right for a reduction given current monetary conditions in Germany.

Money supply figures published on Thursday showed broad money, or M3, climbing at 7.5 per cent in July on a seasonally adjusted, annualised basis – far above the 4.5 per cent to 6.5 per cent target range.

As Mr Tietmeyer was careful to make clear in his manuscript, inflation and money supply developments are central to interest rate decisions.

"It is by no means a foregone conclusion that they will cut next Thursday [after the Bundesbank council meeting]," said Mr Joachim Fels, economist at Goldman Sachs in Frankfurt.

It was the Bundesbank's decision not to cut the discount rate at its council meeting on July 29 which led to the immediate crisis in the European exchange rate mechanism at the beginning of August, when the bands in which ERM currencies are allowed to fluctuate were widened.

The wider bands meant that the implications of German monetary policy were now less important than before, Mr Tietmeyer's manuscript said.

"The individual countries now have more room for manoeuvre for interest rate movements," he said.

He added: "Such increased flexibility is certainly a gain, since the inflationary risks in the individual countries currently differ."

As a result the Bundesbank would not have to pay so much attention to the direct implications of German monetary policy in neighbouring countries. "Although of course a major appreciation of the D-mark within Europe is undesirable in the light of German exporters' need to remain competitive," he added.

The D-Mark has appreciated by 7.4 per cent against other European currencies since the beginning of September last year, exacerbating German industry's problems amid the most serious economic downturn since the second world war.

Figures published this week reveal a weakening in exports, down 5.8 per cent in May.

Preliminary inflation figures for August will be published in the first half of next week and if they show an increase over the 4.3 per cent July inflation rate it will be hard for the central bank to justify a generous cut.

Japan quells speculation of deal to cut discount rate..........Page 2
Currencies..........Page 11
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FO offers diplomatic plodders a path to the top

By Rachel Johnson

DIPLOMATIC plodders may finally get the grand embassies and knighthoods which have tended to be the exclusive preserve of public school and Oxbridge-educated high flyers.

The Foreign Office – the most traditional of Whitehall departments – is planning an assault on the Victorian class divisions that permeate the entire civil service.

The institution that inspired countless Carlton-Brownes has decided "in principle" to abolish its fast stream, which is enshrined in the élitism of the Diplomatic Service.

This could be one of the most egalitarian reforms since 1854, when patronage was replaced by competitive exams "for the supply of the public service with a thoroughly efficient class of men".

In the mid-nineteenth century, Lord Clarendon selected candidates only known to him personally.

The Foreign Office's decision will eventually end the segregation between "officers" and "other ranks" and could help its drive to broaden its intake.

In the fast-stream system, high flyers expected to sail effortlessly to the levels of senior ambassador or deputy under secretary are handpicked by the Civil Service Commission and enter the service at Grade 8 or 7d.

Fewer than 1 per cent of those who apply to be fast streamers by ticking a box on the application forms are chosen, having survived country-house weekends during which table manners and choice of newspaper are noted as keenly as grasp of foreign affairs.

Progress up the ladder to a prestigious embassy posting then becomes almost automatic. Fast-stream officers can expect a posting abroad soon after entering the service, and a succession of interesting economic, commercial, and political jobs both at home and in the field.

Sir John Weston, tipped to become the next head of the Diplomatic Service, is a good exam-

Continued on Page 22

BAe chief seeks to clinch Taiwan venture

By Dennis Engbarth in Taipei and Daniel Green in London

MR JOHN CAHILL, chairman of British Aerospace, is expected in Taiwan next week in an attempt to resolve differences with Taiwan Aerospace (TAC) on setting up a £250m joint venture between the two companies.

The trip follows comments yesterday from Mr Liang Kuo-shu, chairman of the state development Chiao Tung Bank, a big shareholder in TAC, that the issue of collateral for loans to the joint venture remained the obstacle to concluding the deal.

The venture, called Avro, is intended to make BAe's RJ series of regional jet aircraft in the UK and Taiwan. It is vital to BAe's recovery strategy and offers Taiwan a route into the aviation industry.

BAe said: "Public discussion of the state of talks in Taiwan would damage the future of Avro." It also would not confirm Mr Cahill's visit.

Mr Denny Ko, TAC's president, said Mr Cahill would arrive by August 23 and added that differences could be resolved "if there is a will".

Mr Liang said he would also be meeting Mr Cahill and other BAe executives next week to discuss the issue.

The disagreement between the two sides centres on collateral for loans that Taiwanese banks need to make to Avro.

BAe's 60 per cent share in Avro is in the form of land, plant and machinery in the UK, whereas TAC and Taiwanese banks are committed to putting up the remainder in cash.

The state-owned Chiao Tung Bank leads the consortium of lender banks and plans to own 10 per cent of Avro. But under article 32 of Taiwan's banking law, a bank cannot offer unsecured financing to any company in which it holds more than a 3 per cent interest.

Mr Liang said "something concrete" was needed as collateral before the consortium would agree to the financing.

Behind the dispute lie concerns among some Taiwanese private investors that the enterprise will not make money. One of the reasons that BAe wants a partner is that the RJ series of aircraft has been selling slowly.

On July 27, Taiwan's premier, Mr Lien Chan, declared the government's support for the venture. At the same time, government involvement in Avro, through its Chiao Tung bank, was increased.

Commission's help sought on Mostar

Four boys wait for UN soldiers to bring them biscuits in front of the newly fortified French base in Sarajevo, the besieged Bosnian capital

Reuter

Peace mediators yesterday urged the European Commission to administer the disputed central Bosnian city of Mostar as part of a package to end the 17-month war. The Serb and Croat delegations attending talks in Geneva accepted a compromise plan for the ethnic partition of Bosnia. However, there were signs that Mr Alija Izetbegovic, Bosnian president, had rejected the proposals. The Bosnian delegation accused the mediators of rewarding Serb and Croat conquests.

Full story, Page 22

Super-rich escape the worst of UK recession

By Neil Buckley and Rachel Johnson

THE OFFICIAL inflation rate may be 1.4 per cent, but the UK's super wealthy appear to have been hit less hard by price increases than the rest of the recession-weary public.

The Financial Times has found that for a "basket" of luxury items, the overall increase in price has been only 1.2 per cent in the past year.

But even the super-rich have been discouraged from spending by recession – the reason most commonly cited for holding prices steady was lack of demand.

The basket of goods included:

● A "Richmond" hamper from Fortnum and Mason, complete with non-vintage champagne, Sancerre, patés and cheeses, priced £150 this year, unchanged from 1992.

● A double-breasted pinstripe suit of best-quality wool yarn, from Huntsman's, the bespoke Savile Row tailor, priced £1,908 this year, also the same as last year.

● A pair of men's brogues – handmade by Lobb's, the gentleman's cobbler that has been in St James's Street for four generations – priced £1,095 this year, a 6 per cent increase on last year.

● A London-New York return by Concorde unchanged at £5,030 (with a special offer fare of £4,220 available).

But more averagely off families may have found their household budgets rising by more than the Retail Prices Index. Wealthier families spend a higher proportion of their income than poorer ones on leisure services, motoring, alcohol and clothing. Only the last category has not increased in price.

They also tend to be hit by expenses not included in the RPI. Average term fees for Headmasters' Conference schools (the big public and independent schools) have risen 8.3 per cent to £3,425.

Holy grail still proves elusive, Page 6

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Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr65; China Fec 13.0; Canada C$1.40; Croatia HRD5700; Cyprus C£1.00; Czech Rep CZK45; Denmark DKr15.00; Egypt E£4.50; Finland FmK12; France FFr9.00; Germany DM3.30; Greece Dr300; Hong Kong HK$16; Hungary Ft172; Iceland IKR215; India Rup40; Indonesia Rp3,800; Israel NS5.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.600; Lebanon $US1.25; Luxembourg LFr65; Malaysia Rm4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira45.00; Netherlands Fl3.75; Norway NKr18.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rs11.00; Singapore S$4.10; Slovak Rep KSL45; Slovenia SLT220; South Africa R12.00; Spain Pta210; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L8000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

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UK still unhappy with California tax proposals

By George Graham in Washington

BRITISH officials are hastily seeking to reverse the impression that proposed changes to the California tax law, agreed by senators this week, would satisfy their complaints about the state's system of unitary taxation.

The UK government has been fighting the unitary system for two decades, and has threatened to withhold a tax credit from Californian companies operating in the UK if the issue is not resolved by the end of this year.

A California senate committee this week agreed on changes to the tax law that would enable any company to choose an alternative method of tax assessment, known as water's edge, to which the British government does not object.

Committee staff said they had been unofficially assured by the UK that the proposed changes would be enough to remove the threat of retaliation.

"I am confident that this will take the heat off," said Mr Steve Larson, the staff director of the state senate budget committee.

The British Treasury, however, has hurried to deny that it has given any such private assurance, and took the matter seriously enough to interrupt Mr Kenneth Clarke, the Chancellor of the Exchequer, on his holiday.

The proposed changes would address several specific complaints about the current law, which allows this water's edge option, but charges a fee for it which brings the state around \$45m (£30.2m) a year.

But the UK has been insisting on the total elimination of unitary assessments, and on a move to make water's edge taxation mandatory for all companies in California.

UK Treasury officials have reiterated that they are looking for a mandatory water's edge system, and that anything less would fall short of that preferred solution.

They said, however, that they would study the Californian legislative proposals with care, and take a view when they have assessed the final law.

Both the UK and US Treasuries are caught, to some extent, in the middle of the battleground.

The UK Treasury's natural inclination would probably be to avoid retaliation, which could trigger a costly transatlantic tax war, but it is under considerable pressure from senior backbench MPs and from British business to maintain a tough posture.

The US Treasury, meanwhile, is seeking to avoid getting directly involved, while gently encouraging California to move towards legislation that would turn away British wrath.

Unitary v water's edge: seeking a company tax deal

George Graham looks at how the Californians do it – and how the British want it done

THE war over California's system of unitary taxation has dragged on for so long now that views on both sides have become deeply entrenched.

But the stakes, both in a series of lawsuits that could reach the Supreme Court soon and in a potentially damaging war of retaliation and counter-retaliation between the British and US tax authorities, are high, and the search for a solution appears to be gathering steam.

Around \$900m (£600m) is at issue in the suit brought against California's tax authorities by Barclays Bank of Britain, along with other similar cases which depend on its outcome. Another \$3.1bn is involved in closely linked suits brought by US-based multinational companies.

In addition, retaliation ordered by the UK government, due to take effect on January 1 if the dispute is not settled, could cost Californian companies with UK subsidiaries some £250m.

The row concerns California's system for assessing how much of a company's income should be taxed in the state, simple enough for a corner shop that does business in only one place, but much more complicated for a group with operations around the world.

International tax treaties are almost universally built on the "arm's length" principle: taxable profits for a subsidiary in one country will be assessed as though it were conducting its business independently, and products it buys from its parents will be priced as though they were bought from an unrelated third party.

The unitary system, on the other hand, calculates the worldwide income of the company, and then assesses the tax due in proportion to the percentage of the group's property, payroll and sales in the state.

The problem is that tax authorities in one country will only recognise that companies have already paid taxes in another country if they are calculated according to internationally agreed principles, so a company taxed on the unitary basis by California may end up being taxed a second time elsewhere on the same income.

Different companies may benefit from either approach, depending on their circumstances. The calculation depends on whether a company earns most of its profits in the place where most of its property and employees are based.

A California company with lots of new overseas subsidiaries which are losing money in their first years of operation would be taxed less under the unitary system because these losses would be counted in its worldwide income.

While opposition to unitary taxation is spearheaded by the UK, not all British companies operating in California spurn it.

British Petroleum has spoken in favour of unitary assessment at hearings of the California legislature.

Although one would never guess it by the furious arguments over the issue, unitary assessments in fact ceased to be obligatory in California as a result of changes in the tax law in 1986 and 1988.

Instead, companies can elect to be taxed under the "water's edge" system, in which only activities inside the US are considered.

> The British government wants a mandatory water's edge system

In its current form, the optional water's edge system arouses three complaints over practice, and one over principle, from the UK.

The three practical concerns, which would all be addressed by the bill now expected to pass the California legislature by the middle of September, are the fee charged to those who choose the water's edge system; some complicated paperwork imposed only on companies choosing water's edge; and the franchise tax board's right to override the choice of water's edge – a right it has never used.

"We are moving in the direction of completely eliminating all perceived discrimination against those who prefer the water's edge," says Mr Brad Sherman, chairman of the California state board of equalisation and a member of the franchise tax board, who has taken the lead in the search for a solution.

The point of principle for the UK is the continued existence of unitary assessment as an option. The British government makes it clear that it is looking for a mandatory water's edge system.

"I think they so hate worldwide unitary taxation that they wish to stamp it out," comments Mr Sherman.

Mr Peter Welch, chairman of the Unitary Tax Campaign, a grouping of British companies that has been fighting the California system for years, is worried that other states may be waiting to move to unitary assessments if California is allowed to keep the system on its own books – as they did in the 1970s and 1980s before the threat of retaliation forced most to pull back.

California's threadbare state finances would actually benefit from a mandatory water's edge approach. Any time a company can choose between two systems of assessment, it will logically choose the system which costs it least. Removing this choice would generate an estimated \$155m-\$175m in additional tax revenue.

But for that very reason, efforts to promote mandatory water's edge assessment have died in the legislature in the face of concerted opposition from California business, which wants desperately to keep the choice.

"I think mandatory water's edge is a wonderful idea. Unfortunately it is not on the table," says Mr Sherman.

One of the great ironies of the unitary tax battle is that Barclays Bank is now probably the party with the least interest in seeing California and the UK settle their differences.

The administration's solicitor general's office has been asked by the Supreme Court for its views, and is expected to respond some time between the signing of the new California tax law, in mid-September, and the start of the next court session, in mid-October.

Japan quells speculation of deal to cut discount rate

By Michiyo Nakamoto in Tokyo

JAPAN'S government yesterday tried to quell speculation that it had secretly agreed with Washington to cut its official discount rate from 2.5 per cent.

Mr Hiroshisa Fujii, the finance minister, said Thursday's dollar-buying intervention by the Federal Reserve Bank of New York was not the result of a new agreement between Japan and the US on the yen-dollar exchange rate.

Market speculation about a bilateral deal, which came after a statement by Mr Lawrence Summers, US treasury under-secretary, welcoming a recent decline in Japan's money rates, helped support the dollar in the Tokyo market yesterday. The dollar closed up Y2.47 to close at Y104.45. It closed in London at Y104.85.

While Japanese officials welcomed the Fed's intervention, they admitted that the trend towards a higher yen was unlikely to abate until Japan took concrete steps to deal with its huge trade surplus by stimulating the domestic economy.

The dollar's rebound came as Japan's Economic Planning Agency submitted a gloomy monthly report on the economy to the cabinet.

The August report revised the agency's earlier judgment that the Japanese economy had bottomed out. It said the economy was in an adjustment phase and signs of recovery appeared to be faltering because of new adverse factors, including a cold summer and the sharp appreciation of the yen.

The report also said personal consumption and corporate capital spending remained sluggish. Industrial production was stagnant while the employment situation was deteriorating.

The report confirmed growing concerns in Japan that the economy was in a delicate state and needed substantial fiscal and monetary measures to help it on the road to sustained growth.

The government has so far focused on steps to pass on the benefits of a higher yen to consumers and deregulate Japan's markets as the pillars of its September economic stimulus package.

Although it has not indicated whether fiscal and monetary measures would be included in a package of economic stimulus measures to be delivered next month, recognition was growing among government officials that such measures might need to be considered.

Mr Hiroshi Kumagai, trade minister, said yesterday the Japanese public wanted fiscal and monetary measures to be included in the stimulus package and indicated that steps such as a cut in the official discount rate should be considered.

Mr Tsutomu Tanaka, deputy director general of the Economic Planning Agency, mentioned further that fiscal and monetary measures were not being excluded from consideration.

The government is also facing growing pressure to implement income tax cuts and issue deficit-covering bonds but has so far resisted these calls on the grounds that the revenue base was already severely squeezed.

Benefits of strengthened yen yet to reach the consumer

Gordon Cramb on why people must play the watchdog on stores despite the falling costs of imported goods

JAPAN'S consumers are being urged by their new government to play watchdog on the stores at which they shop.

They should be enjoying the benefits of a yen which has strengthened against all leading currencies since the beginning of the year – it has made importing US goods 16 per cent cheaper, even after Thursday night's US move to stop the yen breaking Y100 to the dollar.

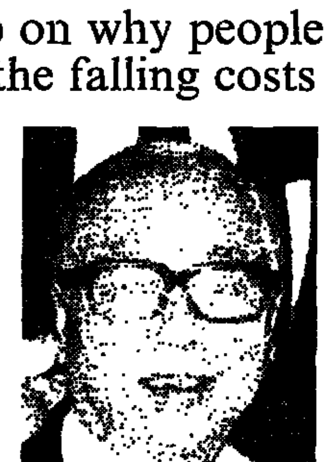
But in the shops, for the most part they are not. Some of the windfall gains get snagged in the multiple layers of the country's distribution system, while the portion which reaches retailers is greeted as manna by store chains struggling to stay in the black.

However, consumers are now being offered the glimmerings of a better deal. "We know there are merits as well as demerits in the yen's rise," says Mr Masayoshi Takemura, chief spokesman for the seven-party coalition sworn in last week. "It's a question of how to provide the merits to the public in the framework of a market economy."

The government is putting on a more consumer-friendly face than its Liberal Democratic party predecessor, which was the ally of the Japanese producer during its 38 years in office.

Mr Takemura is urging importers to cut prices and adds: "It is also necessary for the general public to watch closely whether companies involved will show readiness to pass on such gains."

A survey of 4,000 housewives by the Economic Planning Agency this month found that fewer than half thought



Associated Press

Takemura: urging Japan's importers to cut prices

> The government is putting on a more consumer-friendly face than its LDP predecessor, which was the ally of the Japanese producer for more than 30 years

imports had got any cheaper. Conservative accounting practices, plus the apparent cap put on the yen by the intervention of the US Federal Reserve in the markets on Thursday, mean there may also be no great bonanza to come. Electric utilities, the first to yield to the government's moral persuasion, said they could manage cuts in charges which would save the average household a princely Y50 (31p) a month.

Beyond these efforts, the coalition, headed by LDP defectors but also comprising socialists and Buddhists, has seized on deregulation as a key which it hopes will unlock trapped domestic demand.

Ministries and state agencies have been told to scour their statutes by mid-September for rules and restrictions which can be abolished, thereby freeing up economic activity.

Civil servants in Japan issue more than 10,900 different types of licence or approval, a number which has been growing in spite of previous attempts to streamline administrative procedures. However, bureaucrats seeking to maintain the existing order are likely to defend many of these on grounds such as safety – such as the 71 standards which an imported car has to meet – or argue that established industries will suffer.

An indication that government officials in many cases remain hostile to open markets came this month when the Agriculture Ministry instructed importers to go easy on shipments of foreign beef because domestic farmers were suffering.

The move drew protests from the US and Australia, main beneficiaries of the phased opening of the Japanese beef market from 1991. Tariffs were last cut as recently as April.

Daiei, the country's largest supermarket chain, said this week it would ignore the directive. Imports grew by a fifth last year to account for 60 per cent of all its beef sales. It says it has been reducing prices, citing the example of a Kansas shoulder-cut which it brought down by 13 per cent in May.

Daiei is big enough to do its importing directly, circumventing the big trading houses, which are nervous of incurring official displeasure and at which the order was mainly directed.

The chain – which will import some Y120bn (£760m) worth of foreign goods this year, more than 5 per cent of all sales – insists that it passes on currency benefits through its checkouts. But it says rises in overseas labour and shipping costs have also to be taken into account.

The Japanese appetite for foreign branded goods, almost insatiable during the late-1980s "bubble" years of inflated asset values, has been dulled by the current austere climate.

Department stores, also increasingly undercut by parallel importers which sell goods more cheaply in less ritzy surroundings, are trying selective promotions on less expensive lines. For a clothing sale being held next week by Matsuzakaya the garments come from Quelle, a German mail order company.

Consumer demand has been weakest for big-ticket items such as cars. But in spite of a 7.8 per cent fall in new car sales in Japan for the six months to June, and the 71 impediments, some foreign automotive groups have fared well. Rover of the UK, minority-owned by Honda, lifted first-half shipments 44 per cent after it began reducing prices in February. For Rover, the hope must be that the yen does not now go too far into reverse and drive away it market.

US-UK group to buy east German coal fields

By Judy Dempsey in Berlin

AN Anglo-American utilities consortium is poised to buy eastern Germany's large brown coal fields, as well as a crucial stake in a power generating plant, the Treuhand, the agency charged with privatising eastern German industry, confirmed yesterday.

Once completed, the negotiations, which started in mid-1992, will give Britain's PowerGen and NRG of Minneapolis, a subsidiary of Northern States Power, a strategic foothold in the utilities sector in eastern Germany.

More important, it could gradually open up the region's highly regulated energy sector to more competition, and provide the consortium with a possible launching pad for the untapped potential of the utilities sector in neighbouring eastern Europe.

In a joint statement issued by the Treuhand, it said it expected to conclude the negotiations within the next two two three weeks. "The negotiations have entered their final stages." It added: "The consortium remains committed to becoming a long-term investor in brown coal and in the electricity sector in the new German states."

A Treuhand official yesterday said he expected the consortium to invest about DM1bn (£390m) in eastern Germany. However, neither PowerGen nor NRG would confirm the purchase price. "We still have a number of detailed issues to resolve," a PowerGen official said.

PowerGen and NRG are buying Mitteldeutschen Braunkohle (Mibrag), giant lignite fields straddling the eastern German state of Saxony-Anhalt. The fields, owned by the Treuhand, were put out to public tender last year, and won by the consortium. It was granted sole negotiating rights until July 31, and a further extension throughout August.

The Anglo-Americans recently co-opted Morrison Knudsen, the Idaho-based international mining company. It holds a 33 per cent stake in the consortium and will look after the mining operations of Mibrag, which is expected to produce about 20m metric tonnes.

In addition, PowerGen and NRG will buy 44 per cent – the equivalent of 400MW capacity – of a power generating plant at Schkopau, near Leipzig. Schkopau is owned by Veba Kraftwerke Ruhr, the electricity subsidiary of Veba, Germany's large energy-based conglomerate.

The consortium had hoped to obtain greater access to power generation. But restrictions on access by outsiders to the high voltage grid, which is monopolised by western Germany's large utility companies, limited the consortium's ability to buy a stake in, or build a power generating block connected to that grid.

Reuter

Bangladeshi opposition leader Sheikh Hasina (right) beneath a portrait of her father, independence leader Sheikh Mujibur Rahman, after a protest to the amnesty for her father's alleged killers.

Finland plans further spending cuts

THE Finnish government yesterday proposed a further FM10bn in spending cuts next year as part of a continuing austerity drive to reduce the country's budget deficit, writes **Christopher Brown-Humes in Stockholm**. The cuts, which amount to 2 per cent of gross domestic product, reflect the continued recession in the Finnish economy, which is expected to shrink by 2.5 per cent this year, its third consecutive year of decline.

Expenditure is to be held at FM188bn (£21bn) in 1994 in line with the government's commitment to keep spending in real terms at 1991 levels.

To meet this target, it is proposing a sharp cut in government transfers to local authorities, a tightening of unemployment benefit rules, no increase in social security and pension payments, and a 6.5 per cent reduction in the government sector wage bill.

The government says its main priorities are to tackle unemployment, which now exceeds 20 per cent of the workforce, and create conditions for sustained growth in the economy. Many of its problems stem from the increase in unemployment, which has reduced tax revenues.

Sharp rise in east German investment

By Judy Dempsey in Berlin

INVESTMENTS in eastern Germany increased sharply last year despite the recession in western Germany and the high level of labour costs in the region, the Ifo institute for economic forecasting reported yesterday.

But investments in western Germany continued to decline, a trend which is expected to continue all year.

Investments in the five new states increased by 30 per cent to DM16.6bn (£6.4bn) last year, compared to 1991, with raw materials, food processing and services sector accounting for over 70 per cent. But signs of investment in the region's uncompetitive industrial base, or indications of the growth of new industrial sectors, have yet to emerge. According to the Ifo survey, investments in industry rose 12 per cent in 1992 but will decline this year.

The high level of investments in the east is partly explained by earlier commitments by west German companies made immediately after unification, which were spread over a few years, and backed by generous subsidies. This trend is expected to continue throughout 1993, when investments are likely to peak at DM20bn. The investment growth in the east is in marked contrast to those in western Germany. They fell 6 per cent in 1992 over the previous year because of the recession.

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Yeltsin's call for elections rebuffed

Russians take reform battle on to streets

By Chrystia Freeland in Moscow

THOUSANDS OF demonstrators, braving wind and rain, carried Russia's battle between conservatives and reformers on to the streets of Moscow yesterday as rival political groups held public meetings to commemorate the second anniversary of the failed hardline coup.

Two years ago, Mr Boris Yeltsin was hailed as a national hero for defying hardliners from the roof of a tank parked on the steps of the White House, Russia's parliament building. Yesterday afternoon, more than 6,000 Muscovites gathered on those same steps, chanted that their president was "a Judas" and carried bold red banners trumpeting their support for parliament.

Mirroring the stalemate at the apex of Russian politics, a roughly equal number of Yeltsin backers held a rival rally on the same spot later.

Mr Yeltsin yesterday asked the country's conservative parliament to agree to early elections as part of his long-running struggle with the legislators. However, the request was a largely formal gesture which was immediately shrugged off by parliamentary leaders.

Mr Ruslan Khasbulatov, the chairman of parliament and one of the president's most powerful opponents, said the legislature would not even debate the president's request.

Although Mr Yeltsin claims to have a 10-week plan to force an autumn vote, his legal options appear limited. During the April referendum in which voters endorsed his market reforms, they also rejected the idea of early parliamentary elections. Russia's constitution also makes no provisions for premature elections.

Next week, Mr Yeltsin is expected to pursue one of his tactics for out-manoeuvring the parliament. He has summoned regional leaders to Moscow on Monday for a meeting of the newly-created Federation Council. Mr Yeltsin hopes the council will develop into a Russian version of the Bundesrat, the German upper house which comprises representatives of the country's Länder, or states.

By expanding the authority of the council, an embryonic organisation comprising Russia's regional leaders, Mr Yeltsin hopes to dilute parliament's power.

"President-elect" Chief Moshood Abiola at a news conference in Paris yesterday. He has vowed to return after fleeing Nigeria in fear for his life Associated Press

NEWS IN BRIEF

GE to cut 4,000 more jobs at jet engine division

THE jet engine division of GE of the US is making 4,000 more workers redundant, taking the total to 12,000 in the past two years. Declining demand for civilian and military aircraft is behind the latest cuts, which echo those made at rival engine-maker Pratt & Whitney, writes Richard Waters in New York.

Most of the jobs will go by the end of this year, reducing employment in the GE Aircraft Engines division to 22,000, from 34,000 two years ago. They will be concentrated among salaried employees rather than hourly-paid workers, with at least half coming from the division's headquarters in Cincinnati.

Pratt & Whitney said yesterday that it was reviewing its staffing levels "on a continuous basis". Its workforce has fallen from 44,400 at the end of 1991 to 35,000, and will drop to 30,000 by the end of next year. Orders for new engines remain weak, it said.

Rabin says talks go on

The killing of nine Israeli soldiers in south Lebanon bomb blasts did not violate a ceasefire agreed with guerrillas last month, Mr Yitzhak Rabin, the prime minister, said yesterday, Reuter reports from Jerusalem.

He also told Israel Radio that the deaths – the highest one-day toll since Israel established its "security zone" in south Lebanon in 1985 – would not affect Middle East peace talks.

Mr Rabin brushed off calls by opposition MPs to suspend peace talks. "That would be the worst thing that could happen," he said. "What will that yield: stopping talks with Syria? An increase of extremism, Iranian influence, more Iranian aid?"

French GDP down in first quarter

France's gross domestic product fell in real terms by 0.7 per cent in the first quarter of 1993, up from the provisional estimate of 0.5 per cent, according to Insee, the state statistics institute, writes Alice Rawsthorn in Paris.

News of the weaker figures took a toll on the Paris stock market where the CAC 40 Index fell by 0.51 per cent to 2,128.20. The impact of the Insee figures was aggravated by investors taking profits after the market's rise in the past fortnight.

BA resumes Chile flights

British Airways is to start weekly flights between London and Santiago, the Chilean capital, from October 29. BA will operate Boeing 747-400 aircraft via São Paulo, Brazil, leaving London on Thursdays and returning the following day, writes David Pilling in Santiago.

There have been no direct flights between London and Santiago since British Caledonian, which merged with BA in 1988, stopped operating the route shortly after the Falklands war.

Abortion doctor wounded

A doctor was shot and wounded yesterday outside an abortion clinic in Wichita, Arkansas, Reuter reports. It was the second attack in five months on an abortion clinic doctor in the US. Police have detained a woman.

The doctor was shot in both arms as he got in his car outside the clinic, which has been the focus of abortion protests in the past.

A doctor was shot dead outside an abortion clinic in Pensacola, Florida, in March.

One anti-abortion group said the Wichita shooting was only the beginning of more such turmoil.

Senior PLO official quits

Mr Mahmud Darwish, a noted Palestinian poet, has resigned from the Palestine Liberation Organisation's executive committee, Reuter reports from Tunis, quoting Palestinian sources. He is said to have quit in protest at the organisation's financial management and because he did not want to be associated with possible "dangerous" PLO decisions.

Pakistan set for credit of $350m

By Alexander Nicoll, Asia Editor

PAKISTAN is almost certain to receive a $350m (£235m) short-term credit from the International Monetary Fund to back economic measures announced by the interim government in Islamabad on Thursday.

The IMF said that on the basis of the government's economic programme, the fund's management would recommend that its executive board approve a standby credit at a meeting in mid-September. The short-term financing would later be replaced by medium-term IMF loans expected to total about $1bn.

Short-term financial assistance is needed because Pakistan's foreign exchange reserves fell to a low level during political turmoil which resulted in the resignation of the president and prime minister last month. Medium-term funding cannot be agreed until a new government is in place after elections on October 6.

The IMF said the economic programme announced by Mr Moeen Qureshi, the former World Bank official who is caretaker prime minister, sought to reduce domestic financial imbalances and strengthen reserves.

Mr Qureshi, attempting to tackle the chronic budget deficit, introduced a tax on rich landowners and promised to crack down on tax evasion as well as inefficiency and corruption in government.

Import tariffs are to be reduced sharply over three years to between 35 and 50 per cent from the current average of 90 per cent.

He took advantage of a lack of political affiliation to take sensitive decisions which previous governments have been unable or unwilling to address. Though there will be doubts about the ability of the next government to carry through Mr Qureshi's programme, the country's economic situation will put it under pressure to do so. The IMF medium-term money will also be a powerful incentive.

The Pakistan Moslem League, the party of former prime minister Mr Nawaz Sharif, said the reforms were an endorsement of its own policies, but criticised Mr Qureshi for pushing through such important changes as a caretaker leader.

Nigeria waits for its marching orders

Paul Adams in Lagos and **Michael Holman in London** report on the momentous decision General Babangida will take next week

THE COUNTDOWN to a confrontation that could reverberate across Africa is under way.

By this time next week General Ibrahim Babangida, Nigeria's military leader, will have made a decision which will shape the future of the continent's most populous nation and second largest economy.

Will the general buckle under international and domestic pressure, and honour his promise to hand over to civilians by August 27? Or will he extend the life of a regime widely viewed as corrupt, incompetent and as unpopular as any in Nigeria's turbulent history since independence in 1960?

Yesterday, the Nigerian Labour Congress issued a blunt warning: "If by August 27 1993 the military does not proclaim the 1989 constitution, hand over to the senate president, and disengage from governance, workers should stay at home and dissociate themselves from any unconstitutional government until further notice."

Also demanding that he go are a growing number of senior military officers, two of the country's former military leaders – and an erstwhile friend of more than 20 years' standing.

"By the grace of God, I will be home on my 56th birthday next Tuesday," says Chief Moshood Abiola, the man who is entitled to call himself Nigeria's president-elect, but who recently fled the country in his private aircraft, in fear for his life.

Over breakfast in London, the wealthy businessman, winner of the June 12 poll annulled by the general, vowed to return to Lagos, though declining to comment on suggestions that he intends to be sworn into office on arrival, in defiance of the regime.

It would be surprising if Mr Abiola's supporters were not out in force. Nigeria's commercial capital is also the chief's political stronghold, in the heart of the Yoruba-dominated south-west.

But as Yorubas prepare to rally behind their kinsman, Mr Abiola's Social Democratic party seems to be losing the broad national support that secured him his comfortable victory, performing well in the National Republican Convention's northern base.

As tensions rise, loyalties that go much deeper than those owed to two artificial parties created by the soldiers seem to be taking hold, exacerbating old rivalries between the Yoruba Christian south and the Hausa-Fulani Moslem north.

Fearful of what may be to come, many thousands of Nigerians and their families are relocating across a country the combined size of France, Italy, Belgium and the Netherlands, to seek refuge in home regions.

It is the latest chapter in a saga which has taken Nigeria from confident, if not arrogant, petro-dollar billionaire with aspirations to a seat on the UN security council, to the brink of disaster.

Over a decade spanning the early 1970s into the early 1980s, some $100bn (£67bn) flowed into a country once dependent on cocoa, groundnuts and palm oil for modest foreign exchange earnings.

In 1980, at the peak of an oil boom that proved a curse and not a blessing, Nigeria earned $25bn.

It created a generation of overnight millionaires, who pocketed inflated commissions and kickbacks. It left a legacy of white elephants that burden the country to this day. But even more damaging, the abuse and mismanagement of wealth helped destroy the fabric of Nigerian society.

"It's left the universities without books, the judges without integrity, the civil servant without honesty," says a bitter Nigerian in his 30s.

"Our politics have been commercialised, our army has been politicised," says a cynical young lawyer.

But the most ominous observation was offered earlier this year in Kaduna, political heart of the north, by a distinguished civil servant who retired in the mid-1970s: "We've lost the old leaders, and the system is too rotten to train new ones? Where does that leave us?"

Meanwhile, in his fortified presidential palace in the capital, Abuja, protected by the Brigade of Guards, Gen Babangida prepares his next move. He is as tough as he is unpredictable, and few Nigerians are sure what that will be.

Earlier this week, in a speech expected to end the nervous uncertainty and set out the powers and composition of the new interim civilian administration, he gave no details. Instead, he seemed to hint that he was preparing to swap his army uniform for civilian attire and serve Nigeria for some time to come. "I shall also be prepared and ready at the end of the interim government to pass on my experience to the elected president," he said.

An announcement is now expected next Wednesday, the day the existing transitional council is due to hand over to an interim national government, headed by a civilian. That would hold a fresh presidential election in October 1994, yielding power to the winner on December 31 next year.

Some army officers – in a minority, say observers – are urging Gen Babangida to stay. But those who want the 52-year-old general to go will not relish the prospect of breaking the news to him.

Campaign launched to counter threat to Communists' authority

China aims to stem corruption tide

By Tony Walker in Beijing

CHINA yesterday launched a nationwide campaign to combat corruption which Communist leaders believe is undermining their authority and threatening their party's very future.

The party's top watchdog, the central commission for discipline inspection, began a session in Beijing yesterday at which strong calls were made to rein in corruption which has been fuelled by the economic boom of the past year.

The drive against corruption, a pervasive force which reaches high into the party itself, coincides with a general tightening up in China as the authorities seek to regain control of a runaway economy that grew by nearly 14 per cent in the first six months of this year. The six-day conference in Beijing, which is due to be addressed by Mr Jiang Zemin, the Communist party leader, follows the release of a report this week that "nearly 30,000 party and government officials have been disciplined in the first half of this year on charges of malpractice or irregularities". According to the People's Daily newspaper, "the accusations against them have ranged from bribe-taking to neglect of their duties".

Mr Jiang, who has struggled to stamp his authority on the party since becoming general secretary after the Tiananmen massacre of 1989, has made the anti-corruption fight something of a personal crusade, railing against the "exchange of power for money and indulgence in sex and food".

Mr Wei Jianxing, head of the commission for discipline inspection and a politburo member, blamed the uncertain transition phase from a centrally planned economy to a market system for creating opportunities for corruption. He told more than 100 delegates to the conference: "As the new structure has not formed and the legal system is still being perfected, there are loopholes in policies and management and there isn't a clear line of demarcation between right and wrong in some issues. This gives opportunities to violators of law and discipline."

Mr Wei called for increased vigilance among all Chinese to help in the campaign to root out corruption, which ranges from official involvement in smuggling to accepting kickbacks from foreign companies anxious to do business in China.

Petty corruption is also widespread and is one of the main causes of unrest in rural areas, where hard-pressed peasant farmers have suffered at the hands of unscrupulous local officials responsible for levying a host of taxes and charges.

Mr Wei presented a report to his party colleagues entitled: "Adapt to the new circumstances, expand the fight against corruption and strive for the full implementation of the basic guidelines of the party."

This is expected to form the basis for a new code of conduct to try to ensure "clean government".

TUC fight looms over electricians

By Robert Taylor, Labour Correspondent

THE UNITY of next month's Trades Union Congress is under threat from a conflict over the return of the maverick electricians to the TUC six years after they were expelled.

Intensive negotiations are going on behind the scenes, involving Mr John Monks, the new TUC general secretary, to *resolve the outstanding differences* between the electricians who have been a part of the AEEU engineering union since February.

Other unions have complained they have lost members to the electricians through alleged poaching. The situation will be discussed at Monday's meeting of the TUC finance and general purposes committee. The TUC general council will have to decide what to do next when it meets on Wednesday.

During their years outside the TUC – when they were not bound by the rules governing inter-union relations – the electricians launched an aggressive recruitment drive among members of TUC-affiliated unions.

In the past 12 months the TUC has been trying to smooth the return of the electricians.

Three unions remain dissatisfied, however. These are Ucatt, the construction union, the TGWU general union and the Prison Officers Association

Mr George Brumwell, Ucatt general secretary, has complained to the TUC that the AEEU is continuing to poach his members, and insists that the AEEU must shut its construction and building trades section, which is staffed by nine former Ucatt officers.

Mr Gavin Laird, AEEU general secretary, has told the TUC that his union is not seeking to undermine Ucatt but remains unwilling to disband its coustruction section. The AEEU points out that it has many other members who were not poached from any other union.

The other 11 unions involved in disputes with the electricians appear to have reached an accommodation with the AEEU but they are all working together and it is still possible that they will not agree to the return of the electricians.

One union official said: "Union leaders could face two unpalatable options. They could produce an interim report pointing out further *conciliation is necessary*, which would mean the electricians' section could not return to the TUC until next autumn.

"Alternatively they could call for the suspension of the whole of the AEEU from the TUC until the differences have been settled."

Neither option is likely to be acceptable to the TUC, which wants to use the congress as a new start under a new general secretary looking forward to the next century.

A public spat over the electricians is a return to a bitter past that many union leaders would prefer to avoid.

Gould attacks leadership strategy

By Kevin Brown

LABOUR'S decision to *abandon redistributionist economic* policies spells the end of its hopes of winning a general election, a critic of the party leadership said yesterday.

Mr Bryan Gould, a former leadership candidate who resigned from the shadow cabinet last autumn, said the strategy revealed the party leadership's "worrying" lack of ambition. His comments reflect continuing unease on the left of the party about the pro-Europe and anti-taxation policies being developed by the *"modernisers" around Mr John* Smith, the party leader.

Much of Mr Gould's criticism was aimed at a revised economic strategy released earlier this week by Mr Gordon Brown, shadow chancellor, which abandons the "tax and spend" manifesto on which the party fought the 1992 general election. In a deliberate effort to improve the party's image, particularly in the south of England, Mr Brown said Labour would no longer seek to "penalise" wealth, and promised *tax cuts if possible*.

Writing in Tribune, the leftwing newspaper, Mr Gould said the revised strategy might consolidate Labour support in the party's heartlands but would do nothing to win votes in the south.

"Standing by while the Liberal Democrats reap the benefits of Tory unpopularity in the south makes sense only if we have resigned ourselves to sharing power with them after the next election," he said.

"If that is what now passes *for strategic thinking, then the* party should at least be let in on the secret. Such a strategy would be self-defeating, and would represent a complete misreading of the public mood."

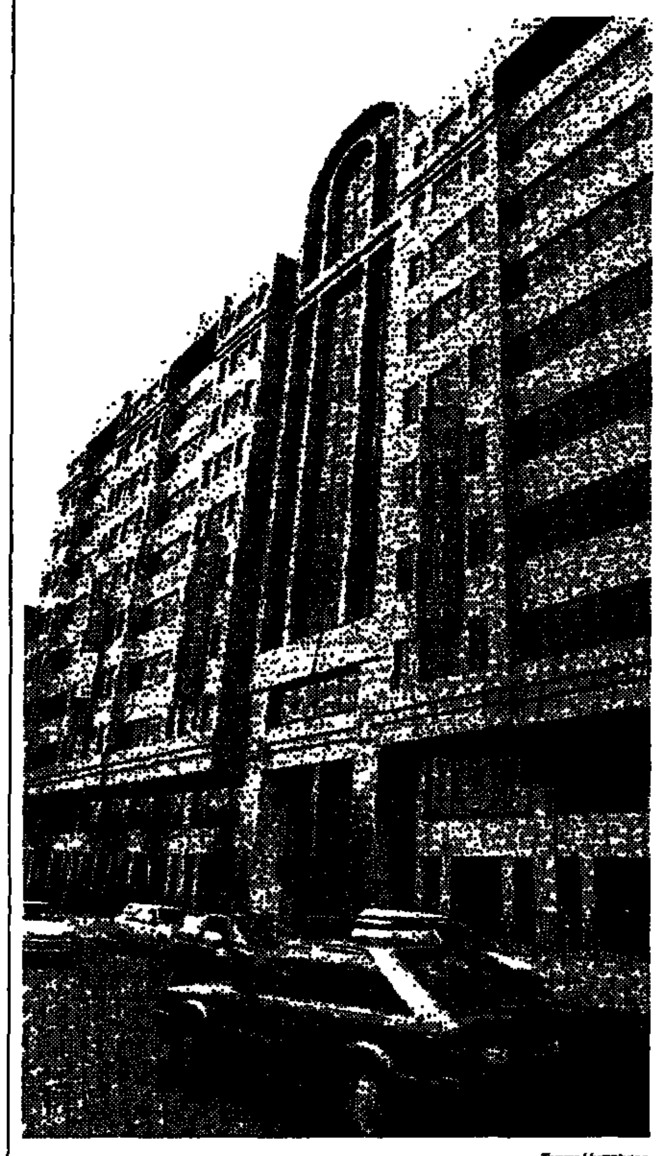
He said the collapse of the exchange rate mechanism gave Labour a chance to "break with Euro-monetarism and the defeatist view that we can't run the economy ourselves".

Airtours steps up holiday price war

THE DISCOUNTING war in next year's summer package holiday market intensified yesterday as Airtours, the UK's third biggest travel group, said it would be offering 100,000 free trips to people under 19, following similar recent moves by its larger rivals Thomas Cook and Thomson, Gary Mead writes.

The move was followed by Cosmos, another big tour operator, which said it would offer free places for 50,000 young people accompanied by their parents at nearly 300 hotels *and apartments in 29 destinations*, including Florida. Cosmos said the offer was worth more than £7m.

Earlier this week Thomson, the leading tour operator, said it was cutting £60m off the price of its 1994 summer deals. Thomas Cook, Lunn Poly and the Pickfords Travel and Hogg Robinson group have all *announced 10 per cent cuts on* next summer's holidays.



Trevor Humphries

The Health and Safety Executive is to lease Rose Court in Southwark as its London headquarters – the largest central London office letting this year. Rose Court, owned by Postel, the Post Office and the BT pension fund, was built over the remains of the Rose Theatre, which dates back to Shakespearian times

Graduates' EC job hopes 'slight'

By John Authers

THE number of UK university graduates finding work in continental Europe remains minimal, the Institute of Manpower Studies, said yesterday.

Its report damps speculation that a continental European labour market may be developing.

Only 1.4 per cent of graduates with higher degrees find work on the continent, while the figure for students with a first degree is 1.7 per cent. But half the first-degree graduates went into teaching posts, rather than business positions.

The increase in recruitment is minimal – 1,266 UK graduates worked in continental Europe in 1991 compared with 1,200 the previous year.

Poor language skills were identified as one of the main *barriers to finding jobs abroad.* They also found that UK graduates lacked the relevant qualifications to satisfy European employers.

Students also suffered from relative youth and inexperience compared with European counterparts, and had great difficulty finding out about employment opportunities.

France was the most popular destination, possibly because French is the most widely taught language in British schools, and accounted for 39 *per cent of all graduates. It* was followed by Germany (20 per cent), Belgium (15 per cent), the Netherlands (12 per cent) and Spain (8 per cent).

For higher-degree graduates, Germany was the most popular *destination.*

Continental European companies appeared to be highly selective – most of the 105 employers identified as being interested in UK graduates seemed to be targeting individual institutions, and in some cases specific departments.

Their links with "new" universities – the former polytechnics – and with higher education colleges are weaker than those with the old universities.

The flow of UK graduates is expected to increase steadily, but not dramatically.

The Recruitment of UK Graduates to Work in Continental Europe, IMS Report 248, BEBC Ltd, PO Box 1496, Parkstone, Poole, Dorset BH12 3YD. £35.

THE INSTITUTE of Directors yesterday called for a national campaign to encourage more students to take up science studies.

Dr Ann Robinson, head of the IoD's policy unit, said business and the government should co-operate "in making maths, technical and scientific subjects more sexy and exciting for young people".

This week's A-level results showed falls in the number of students taking chemistry, physics and biology.

"Unless more schoolchildren and higher-education students are encouraged to take up these subjects, Britain's competitive position will be seriously threatened," said Dr Robinson.

Portillo seeks to calm rightwing fears on tax

By Kevin Brown, Political Correspondent

THE GOVERNMENT yes*terday sought to head off a* rightwing rebellion over taxation by promising big cuts in public spending to offset rising social security costs.

However, Mr Michael Portillo, chief secretary to the treasury, refused to bow to pressure from the Thatcherite Conservative Way Forward Group and rule out tax increases in the November Budget.

Way Forward, which is supported by several cabinet ministers, warned on Thursday *that tax increases* "will not be accepted unless a sharp pruning knife is taken to public spending first". The warning coincided with a vitriolic attack on Mr John Major's "disunited" government by Lord Parkinson, chairman of Way Forward, and a former Conservative party chairman.

Mr John Townend, chairman of the Conservative backbench finance committee, put further pressure on the government yesterday by warning that tax increases could cost the party the next general election.

"If we do not tackle public expenditure, and we go into the next election as the party that has increased taxation, we don't stand a hope in hell of winning," he said.

Mr Portillo played down the Way Forward comments, which he described as "lobby*ing in very colourful lan*guage".

He urged the right not to underestimate the difficulty the government would face in sticking to its commitment to hold public spending steady in real terms. The government would have to take "difficult" action to constrain the rising *social security budget and* identify other spending cuts.

He added that cuts might be bigger than expected if the pace of economic recovery faltered in the next few months.

The reduction of the budget deficit "must not depend on the recovery because we must set figures that are sound in any circumstances", he said.

Mr Portillo said the row earlier this year over the imposition of value added tax on heating fuel had shown that increasing taxes was not an *easy option. But he conceded* that "we may have to have some tax increases", adding to speculation that Mr Kenneth Clarke, the chancellor, is preparing to widen the VAT net.

Customs removes double duty

TRAVELLERS WHO buy goods in another EC country but return to the UK through a non-EC state will no longer be forced to pay duty twice, Customs said yesterday.

Anyone who can produce evidence that goods imported to the UK were bought in *another EC country for per*sonal use with duty and tax paid will not be required to pay again. Since the lifting of border controls in the EC some travellers have been caught by the requirement to pay duty on all imports to the UK from a non-EC state.

The travellers most affected have been those on yachts sailing to the UK from France via the Channel Islands, which are not part of the EC. Others include travellers from Switzerland and Scandinavia.

Bowater unit plans production centre

DRG MEDICAL Packaging, a subsidiary of Bowater, the packaging and industrial films group, is investing more than £30m in a production centre on a 13-acre site near Bristol.

The plant, which will include research and development facilities, is due to be completed in the spring of 1995.

Estate agents return to profit in property chains

John Gapper on surveyors' success in riding the housing cycle

THIS WEEK marked a turning point in the British high street. The traditional estate agent is making a comeback.

Six years after many chartered *surveyors sold businesses* to mortgage lenders and life assurance companies, they are buying them back at a fraction of those inflated prices.

The two biggest winners of the economic cycle in housing emerged this week when Mr Bill McClintock and Mr Tony Snarey bought the 347-branch Cornerstone chain for £8m *from Abbey National*, the bank. That is a tenth of the price per branch that Royal Life paid for Mr Snarey's previous chain in 1986.

There is more to come. Bristol & West, the building society, is trying to sell 147 branches and is finding the only buyers in the market are the chartered surveyors who sold at the top of the cycle. Like the new owners of Cornerstone, many are seeking financial backing from life insurers in return for product ties.

Mr McClintock and Mr Snarey epitomise the traditional agents who rely on working long hours to make the maximum number of sales. Mr Snarey started his career with Harrods 35 years ago before joining the William H Brown chain in the 1960s, helping build it to 250 offices.

Although Cornerstone lost £2m in the first half of this year, Mr Snarey thinks a spot of traditional management should return it to profit.

He said: "The way that estate agents work does not fit too kindly with corporate ownership. It clashes with the entrepreneurial spirit that they need."

After the millions – perhaps more than £1bn – lost by the corporate owners of estate *agents in the past six years, Mr* Snarey's assertion does not raise too much controversy. Mr Tony FitzSimons, Bristol & West's chief executive, said that the management methods of building societies were alien to agencies.

He added: "The traditional agent makes all his money from sales, from piling it high and selling it cheap. He will work 14 hours a day and under-price his own time. A corporation cannot do that." Mr FitzSimons said that Bristol *& West was negotiating with* other chartered surveyors for its own branches.

Mr Snarey said there were more secrets to estate agency than simply working long hours. One was that it was wrong to impose a single culture. "A chain should be a sort of confederation of independent people who can work together under the same name but use their own styles."

He insisted that the quality which consumers found irritating – estate agents' persistence – was the thing which achieved sales. He said: "You have to give people their head and let them develop. As soon as people are put in a bureaucracy and told to report to the centre, they become number counters and not sellers."

Mr Snarey and Mr McClin*tock managed to ride the hous*ing cycle cleverly. They sold the independent chains in which they were partners amid the hysteria of corporate buying in the late 1980s. The buyers in that market later found that they had bought far less than they imagined.

Most estate agency chains amount to little more than a *set of shop leases, and a brand.* Abbey National has written off £141m of accounting "goodwill" on Cornerstone – the amount it paid on top of the value of the physical assets. It has lost £90m in operating Cornerstone over six years.

Meanwhile, Mr Snarey and Mr McClintock sat out the period of loss-making corporate ownership of estate agents as the joint chief executives of Royal Life Estates, the chain that was formed from their two businesses.

With *hindsight, perhaps the* large corporations should have seen it coming. If there was one transaction on which an estate agent might have been expected to turn a profit, it was in selling property. And as they re-emerge it is logical to believe that the market is turning once more.

Mr Snarey is confident that he and his partner have not paid too much. He said: "It may be that we are at the bottom of the cycle now, and we may even see some upturn." The years away from his own estate agency have not dimmed his faith in the value of owning your own property.

£6.7m investment in Welsh plant

A £6.7m investment is being made by CP Pharmaceuticals at its Wrexham plant, Clwyd, to develop its range of hospital products. The project is backed by regional selective assistance.

The Welsh Office said assistance was being given to eight other companies intending to invest a total of more than £6m. The largest investment is by Ensinger, which will expand its engineering plastics operation in Mid Glamorgan at a cost of nearly £2m.

100 workers paid off at Timex

A FURTHER 100 workers were paid off yesterday at the troubled Timex factory in Dundee, Tayside. There are 100 employees left at the plant, although closure is still "several weeks away", Timex said.

When the factory's closure was announced in mid-June after a bitter dispute the plant employed 375, of whom 280 had been hired to replace workers sacked earlier in the year.

The Scottish TUC is to hold a protest rally in Dundee today.

Threat to jobs

NEARLY 100 *jobs* are expected to be lost at the United Technologies factory at Londonderry, Northern Ireland. The company makes parts for the car industry and employs 800 people. It blamed the cuts on the decline in the European market.

Merrett bows to Lloyd's pressure

By Andrew Jack

ONE OF the leading underwriting managers at Lloyd's of London yesterday bowed to pressure for changes from seven of the most powerful managing agents in the *insurance market.*

Merrett Underwriting Agency Management (MUAM) agreed to replace Mr Stephen Merrett as chairman and appoint two new non-executive directors.

The action follows an unusual campaign by an ad hoc group of members' agents in the last few weeks. They threatened to withdraw business from MUAM unless certain demands were met.

These included the appointment of a senior executive to strengthen management and *disclosure of Mr Merrett's* interest in the company.

Mr Merrett said the concerns focused on criticism of his personality. "I would not suggest any criticisms of me have been unfair," he said.

The members' agents were Sedgwick, Anton, London Wall, Sturge, Murray Lawrence, Wellington and Willis Faber. They wrote to MUAM in July and triggered a series of meetings and letters.

A letter from Mr Dennis Purkiss, MUAM's deputy chairman, circulated to the *group yesterday, set out its* response.

Mr Merrett said: "Pressure from the group coincided with our own concerns. We thought there was very little in the points they were making. It looks as though we have met them."

The company agreed to appoint a new chairman by the *middle of* October, who is likely to be a non-executive. It said the board had already decided to appoint its first two non-executive directors. It showed that Mr Merrett held three of the 25 MUAM "A" voting shares.

The letter also said MUAM would provide the estimated cost of running off its syndicates and said it was confident it would have the capacity it required to operate with incorporated capital.

Trade deficit with non-EC countries widens

By Peter Norman, Economics Editor

BRITAIN'S visible trade gap with non-European Community countries widened in July as a fall in exports and a sharp increase in imports brought four months of improvement to an end.

The Central Statistical Office reported yesterday that the deficit, which reflects just under half of UK trade, increased to a seasonally adjusted £778m last month from June's revised total of £599m.

Imports rose by 2.4 per cent to £5.57bn between June and July while exports, which had increased sharply by 4.4 per cent between May and June, reversed part of that gain, falling 1 per cent to £4.79bn last month.

Excluding oil and so-called erratic items - defined as ships, aircraft, precious stones and silver - exports and imports hit records in value terms last month of £4.13bn and £4.84bn respectively. This may have partly reflected a sharp rise in the import and export prices of non-oil products in July.

The visible trade gap was slightly worse than the £700m deficit foreshadowed in recent consensus forecasts from City analysts. But it had little effect on either sterling or the market for government gilt-edged securities yesterday.

The City has been forecasting for some time that Britain's overall current account deficit for this year will be less than the £17.5bn forecast by the government in its March Budget. Yesterday's figures did not upset these expectations.

The CSO said the figures indicated a flattening of the upward trend of the visible balance, although its latest estimates of the trend of non-EC trade show a rise of 0.5 per cent a month for exports with no change in imports.

The Treasury said the underlying trend in trade was still favourable. It pointed out that in volume terms exports, excluding oil and erratics, were 2.5 per cent higher in the three months to July compared with the preceding three months and were growing at a faster pace than imports.

CSO figures showed that volume imports, less oil and erratics, increased only 0.5 per cent in the latest three months compared with the February to April period. But last month's import volume, excluding oil and erratics, was a record.

Yesterday's report showed that Britain was in deficit with the non-EC countries in all broad commodity categories last month. Trade in semi-manufactures showed a seasonally adjusted deficit (of £110m) for the first time this year. However, trade in finished manufactures has moved closer to balance in recent months with deficits of £284m in July and £250m in June.

Britain's trade with North America was in the black for the fourth successive month, showing a small surplus of £65m in July. The UK also maintained its traditional surplus with the oil exporting countries last month but ran deficits with other regions.

The Confederation of British Industry said that yesterday's news on exports remained encouraging. But it noted that "the majority of the UK's trade is with countries inside the EC and CBI surveys have suggested that weak European markets could be holding back overall export growth".

Figures for trade with the EC are not yet available on a monthly basis following the completion of the Single Market at the end of last year. Second-quarter trade figures covering the EC will be released on September 10.

VALUE OF TRADE WITH NON-EC COUNTRIES
Balance of payments basis, seasonally adjusted (£m)

				ex oil and erratics*		
	Exports	Imports	Balance	Exports	Imports	Balance
1991	44,477	53.883	-9,406	38,289	45,250	-6,961
1992	46,682	56,431	-9.749	40,624	48,097	-7,473
1992 Q1	11,306	13,605	-2,299	9,853	11.535	-1.682
Q2	11,665	13,856	-2,191	10,128	11,776	-1,648
Q3	11,577	13,675	-2,098	10,069	11,667	-1.598
Q4	12,134	15,295	-3,161	10,574	13,119	-2,545
1993 Q1	13,601	16,596	-2,995	11,693	13,855	-2,162
Q2	14,143	16,348	-2,205	11,972	14,098	-2,126
Jan	4,396	5,348	-952	3,806	4,493	-687
Feb	4,487	5,661	-1.174	3,844	4,686	-842
Mar	4,718	5,587	-869	4,043	4,676	-633
Apr	4,659	5.493	-834	3.955	4,693	-738
May	4,642	5,414	-772	3,902	4,737	-835
June	4,842	5,441	-599	4,115	4,668	-553
July	4,794	5,572	-778	4,129	4,842	-713

*defined as ships, aircraft, precious stones and silver

Vauxhall to lift prices by 2.1%

By Kevin Done, Motor Industry Correspondent

VAUXHALL is to raise the prices of its cars and light commercial vehicles by an average 2.1 per cent from Wednesday.

This is Vauxhall's second price increase this year. It raised prices by an average 2.9 per cent in March.

The latest move to raise prices follows the announcement in July by Ford, the UK new-car market leader, that it intended to raise prices by an average 2.5 per cent from the beginning of this week.

Ford said yesterday that it had delayed this increase by two weeks and it would take effect from the beginning of next month.

The price increases will apply to 1994 model-year cars with changed specifications, which will be in showrooms from next month.

The biggest change will be the fitting of an airbag on the driver's side as standard equipment across the Ford range. Airbags will be fitted to all Granada, Mondeo and Escort/Orion models from September. Airbags for the Fiesta small car will follow a couple of months later.

Passenger-side airbags will be optional. Ford is the first volume carmaker in Europe to offer driver-side airbags as standard across its range.

Car price movements have been complicated in the last year with prices being lowered as a result of the removal of special car tax last November.

Several manufacturers have been reducing list prices, but at the same time have cut margins to their dealers. This has in effect reduced the scope for discounting and has often left transaction prices little changed.

Carmakers have also raised prices to reflect factors such as the devaluation of sterling, improved equipment and the need to restore profit margins, which have suffered in the recession.

Revenue to reform tax on derivatives

By Tracy Corrigan

THE INLAND Revenue yesterday published draft legislation which will rationalise the complex and unequal tax treatment of financial instruments used by UK companies for managing interest rate and currency risk.

Ms Emma Lubbock, head of capital markets at accountants Price Waterhouse, said: "These changes will help to bring our Victorian tax legislation into the twentieth century."

Because the market in derivative instruments such as swaps and options has developed rapidly, mainly in the last 10 years, legislation in a number of areas has not kept pace.

Under the new system, based on an Inland Revenue consultative document published in August 1991, all profits and losses on a range of instruments used for managing risk would be taxed as income. Currently, some instruments are not eligible for tax relief, while others may be subject to income or capital gains tax.

The Inland Revenue said in a statement: "The proposals will replace the current complex rules with a simple and coherent regime for taxing the profits and losses associated with these instruments.

"This will provide companies with certainty and clarity in this difficult area of tax law."

The move was widely welcomed by UK company treasurers. While large companies can generally manoeuvre around the tax hurdles, the complexity of the system has discouraged some smaller companies from using derivative instruments to manage risk.

Mr Arthur Burgess, treasurer of British Gas, said: "In common with every major user we have used Dutch companies [as a vehicle] for capital markets instruments, not to avoid UK tax, but to gain certainty of tax treatment." What corporate treasurers wanted was "symmetry of treatment" of gains and losses.

The Inland Revenue is inviting representations on the draft legislation by October 31. The legislation will come into force at the same time as new foreign exchange rules, which are included in the 1993 Finance Act.

Trevor Humphries

End of the line: conductor instructor Reg Bishop holds one of the mechanical Gibson ticket machines which will be used on London buses for the last time today. The machines were named after George Gibson who invented them in 1953. They will be replaced by electronic machines.

London RiverBus closes

LONDON'S RIVERBUS company decided at a meeting yesterday to cease operations and make its 60 staff redundant. The loss-making service made its last journey last night.

The service had been under threat for 15 months after Olympia & York, the Canary Wharf developer which was its main underwriter, went into receivership.

The company operated a fleet of 10 high-speed ferries over 10 miles of the Thames between Chelsea, the City, Docklands and Greenwich, carrying about 750,000 passengers last year.

Funding came from various sources since the collapse of O&Y, including the O&Y administrators, local government, businesses and private individuals. Staff accepted wage cuts.

An official said the company decided that there was no possibility of raising further funds to pay for future operations.

RiverBus had no outstanding debts, he added. The company would pass into the hands of liquidators, who would try to sell it.

OFT accuses on 'contract rigging'

By Robert Peston

GROUNDS maintenance companies have been rigging prices on government contracts worth £10m a year, the Office of Fair Trading, the public-spending watchdog, said yesterday.

Sir Bryan Carsberg, OFT director-general, accused the companies of operating an "unlawful" secret price-rigging and market-sharing agreement, and said he would refer it to the Restrictive Practices Court.

The court has the power to ban any such agreement if it decides that it operates against the public interest.

The OFT said the price rigging had been taking place "since at least 1976" and involved 11 companies.

It related to contracts granted by the Property Services Agency, the manager of central government property, for the maintenance of military bases and other government properties. The PSA alerted the OFT to the possible existence of the covert agreement in a 1990 report on investigations of tendering patterns.

Sir Bryan said: "Collusion and lack of competition between tenderers inevitably lead to higher prices and poorer services."

The OFT said the companies seemed to have been engaging in two kinds of restrictive practices. There was an agreement between 11 of them that if one wanted to keep a contract, the others would submit higher bids when the contract was put out to tender.

A sub-group of four companies were said by the OFT to have agreed not to submit any bids if a contract held by one of them, which it wanted to retain, was put out to tender.

Mr Ian Mitchell, chairman of Mitchell and Struthers, one of the companies accused by the OFT, said: "I would certainly say there is no agreement as far as we are concerned."

Mr Peter Wilson, a director of JV Strong, another accused company, said: "We are happy to confirm that the practices referred to by the OFT have not been operated by existing management and won't be in future."

The other companies accused are G Burley and Sons, Basil H Childe, Cliff Evans (Knockin), R Hewision and Sons, Landscape Maintenance, Tonrin Contractors, Turfsoil, Tyler Environmental Services, Welbourn Sportsgrounds.

Homes Assured directors 'were fully in the picture'

By Andrew Jack

THE DIRECTORS of Homes Assured, the mortgage broker that collapsed in 1989, were fully aware of the company's financial difficulties nine months before it collapsed, a jury at Chichester Rents in London heard yesterday.

In his summing up Judge John Rogers QC recalled a letter from the Royal Bank of Scotland in November 1988 expressing "extreme concern" about the accounts of Homes Assured Midlands. It listed 440 cheques that had bounced in the previous two months.

There were also substantial sums owing to the Inland Revenue on behalf of Homes Assured customers. "You must ask yourselves whether it was right for the management to run a company incurring debts with money they know is not their own," the judge said.

He cited comments from Mr Douglas Dunkley, an accountant at Homes Assured, who said in November 1988 that he had been "worried for some time about the unreal optimism in the company".

The judge said: "All those involved in the day-to-day running of the company were put fully in the picture by a man whose accounting skills have never been called into question."

The judge reminded the jury of a letter from Stoy Hayward, Homes Assured auditor, in November 1988 warning of "major cash difficulties" and reminding the directors of their responsibilities.

He also mentioned a report commissioned by Commercial Union from accountants Coopers & Lybrand in March 1989 showing current liabilities of £6.25m in December 1988.

"It seems that the warnings were coming thick and fast from every possible direction," he told the jury.

He stressed that the defendants - none of whom gave evidence - argued that they believed the money would be forthcoming to allow the company to continue to trade. Once they realised salvation would not be possible - in August 1989 - they ceased trading.

Mr Anthony Dobson, Mr Keith Woodward and Mr Michael Robinson all deny a joint charge of fraudulent trading from November 1988 to August 1989. Mr Dobson also denies two charges of procuring the execution of a valuable security by deception and Mr Woodward one of furnishing false information.

The summing-up will be completed and the jury sent out to consider its verdict on Monday.

Travelling the electronic highway

A Herefordshire town is moving closer to becoming a fully fledged telecentre, says Paul Cheeseright

KINGTON IS wiring up. Ten weeks after the small Herefordshire town announced that it had won a competition to be kitted out with computers and electronic communications equipment the machines are arriving and the lines are on their way.

Number Two High Street already has nearly a mile of cable in it. The bow-fronted Georgian building is turning into a telecentre as the focal point of the Kington Connected Community Project.

The objective is to create an electronic community, to establish how the latest in communications and information technology can give an economic impulse to a rural community which has seen the erosion of its traditional farming base.

The Rural Development Commission and the Department of Trade and Industry are providing funds because they are interested in development. Apple Computer and British Telecommunications are providing equipment, cash and services because they want to discover new products and they want to know why the countryside has been slower to grasp the possibilities of the computer than the cities.

Kington is receiving state-of-the-art equipment. The main steps taken so far have been on the communications side. Sooner than BT had originally planned, Kington is joining the world of ISDN (Integrated Services Digital Network), a system of telecommunications which can transmit almost instantaneously anything which can go down a line - text, data, voice or image.

Mr David Haskins of BT's group products and services management division said: "Kington was due for exchange upgrading in 1994. It's been upgrading in 1994. It's been brought forward a year. ISDN will be available after the upgrading. Normally it comes on demand - you need a minimum of five heavy-duty customers."

There will be 15 lines running into the town. "An electronic highway into Kington", as Mr Miles Swinburne, the local project manager, puts it. "We have had to get the telecoms in before we can exploit the computers," he added.

But these 15 lines will not run to individual BT subscribers. Rather they will run through a central box which can switch the ISDN connections around the community as they are needed - hence the small number of lines. ISDN can be received by a BT customer on the customer's existing cable connections.

Ascom, the Swiss-owned group, is providing its Ascotel machines for this purpose. Its motive for coming to Kington is that, having recently received the technical approvals for the use of its machines, it wants the machines to be seen at work. Number Two High Street and the planned training centre at Lady Hawkins Secondary School are the shop windows.

Number Two High Street is alive with plasterers, carpenters and electricians, decorating, cabling and installing under the supervision of Systems Support Networking, a Cambridge company which has volunteered to help. The shop is the obvious link between the connected community project and the public. The conversion is attracting the curious, for which the project organisers are thankful.

Interest in a new electronic future for Kington is building up, but is scarcely overwhelming. The attendance at the meeting to elect a board for the the company set up to run the project was 80, from a population of about 2,000. But there is a steady demand for computer training.

Rothwell Group, the Apple agent which is supplying the computers, has had half-a-dozen of the first potential users, including a shopkeeper and hotelier, along for a one-day introduction.

They will each probably have the loan of one of the 30 computers Rothwell has provided, but these remain hidden until the wiring is completed.

Mr Swinburne thinks that groups of six are ideal for training and, as a measure of the local demand, he remarked: "If we were starting now we would have to run four courses simultaneously." So far, though, there has been little local publicity about the training possibilities.

In the autumn, after the local cricket team has been to Lords for the village team final, after the work has finished at Number Two High Street, and the evenings draw in, Kington's thoughts are more likely to be tuned to computers.

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Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Markets rule, OK, for now

WHILE WORLD stock markets have bubbled merrily this week, brokers have been looking for historical yardsticks against which to measure the valuation of equities. For what it is worth, history seems to suggest that prices are higher, in relation to earnings, than they were at comparable stages after the recessions of the mid-1970s and early 1980s. But in reality the yardsticks are distorted. These earlier recessions were about a combination of stagnation and inflation. The present stock market surge has everything to do with disinflation and falling interest rates. All instinct suggests that the markets will become still more overvalued by historic standards before they run into a correction.

This assertion is based on the working assumption that the downward trend in interest rates has further to go, at least in Europe, and that the penalty for holding cash in a low interest rate environment will continue to encourage people to divert savings into equity markets. But can the present level of markets be justified on a longer-term view of economic prospects?

The trouble here is that conflicting signals are emerging from the bond and equity markets. Traditionally, rising bond prices signal expectations of deflation, while rising equity prices anticipate economic growth. Yet bonds and equities have been rising together in recent months. The implication might be that, while equities are behaving in orthodox fashion at the start of an economic upturn, fixed-interest bonds are going through a sea-change in the basis of valuation.

Long bond yields in Britain, the US, France and Germany are all in a narrow 6-7½ per cent band, which suggests a remarkably uniform and sanguine view of inflation. The message is that investors believe that the world is heading for a period of sustained, non-inflationary growth. What is more, the market prophecy is partly self-fulfilling.

Power shift

Consider the inflationary side of the equation. After a decade in which ideologically inclined governments have removed one constraint on markets after another, political and economic power has shifted between different groups within society. The retreat from the commitment to full employment, together with the political assault on trade unions, has undermined the power of organised labour to the point where wage inflation has virtually ceased to exist in the tradeable goods sectors of most developed world economies.

At the same time the ability of governments to monetise debt – in the vernacular, to print money – has been eroded by the liberalisation of global markets. If the threat of default by inflation looks remotely real, currencies weaken, bond prices fall and the cost of government financing goes up.

This pre-emptive shock treatment does not mean that governments will cease in future to inflate their way out of trouble. But because the deterrent exists, it imposes a starker choice on politicians between the current low inflation and the very high inflation that would result if the markets shunned public sector IOUs, so forcing governments to turn to the banking system for inflationary financing. The point is that the policing activity of the bond markets tends to eliminate the inflationary middle ground.

Not infallible

As for growth, the markets' ability to impose their will on economic policymakers was once again in evidence this week. The pressure of a soaring yen, which was temporarily reined in after intervention by the US Fed on Thursday, has forced the ruling Japanese coalition to contemplate further fiscal loosening. It is also embracing structural reforms to ensure that the ill-used Japanese consumer derives some benefit from the falling cost of imports. This case of market-induced growthmanship follows the earlier assault on France's *franc fort* policy, which opened the way to lower interest rates and reflation in continental Europe.

The snag in all this is that markets are not infallible. If, for example, the world is moving towards an economic boom based on rapid industrialisation in China and other parts of Asia, commodity price inflation could easily return. Union power is invariably weak in a recession; in an economic recovery it may emerge that the strength of organised labour has been underestimated. The markets' judgment about the pressure on public finances and the readiness of individual countries to default on their debts through inflation may prove over-optimistic.

The markets are unquestionably right in their judgment that liberalisation has changed the rules of the economic game. But what has not changed is the age-old truth that interest rates can go up, as well as down. Until there are more tangible signs that monetary policy is tightening, or alternatively that governments are failing to validate market assumptions about looser policy by cutting interest rates, the stock market party still has some zest in it. The risks may be high, but the cash alternative looks unpalatable.

UK retail costs for wealthier households appear to be rising faster than for poorer families, writes **Neil Buckley**

Holy grail still proves elusive

Anyone who chose to renew their house insurance, pay their children's school fees and make a long train journey this week might wonder just how the UK's annual inflation rate can be as low as 1.4 per cent.

Consumers who paid their gas bill and monthly mortgage and bought a new washing machine and a pair of jeans would, on the other hand, find themselves spending considerably *less* than they did on the same items last year.

Such vast differences in individual experiences are hardly surprising. The "retail prices index" is designed to reflect the price of an "average" shopping basket. For anyone who is not average, it is a far from perfect indicator of inflation.

If the information used to compile the index is dissected and put alongside anecdotal evidence collected by the Financial Times, the signs are that costs for wealthier households have risen faster than for poorer families.

Figures this week put Britain's annual inflation rate at 1.4 per cent. That was only slightly higher than June's 30-year low of 1.2 per cent and boosted government and City hopes that the UK was achieving growth without inflation. and

But many consumers facing price rises may wonder if the figures reflect reality. If not, many aspects of everyday life are based on wrong information. Inflation figures are used as a basis for wage negotiations, influence companies' pricing decisions, determine how state retirement pensions and certain social security benefits are upgraded, and set the levels of interest paid on index-linked National Savings certificates and indexed gilt-edged stocks.

The retail prices index (RPI) is based on 130,000 prices collected across the country each month by the Central Statistical Office for 600 goods and services. Items are weighted according to the proportion of family spending they represent.

Inevitably the RPI is a compromise. When deciding what weightings to use, spending patterns of low-income pensioners and households with incomes in the top 4 per cent – those earning £925 or more a week – are excluded on the grounds that they differ significantly from the majority.

"Nobody actually consumes the average basket of goods," says Mr James Banks, an economist at the Institute for Fiscal Studies who is researching how different groups spend their incomes.

"It would be useful to have a series of RPIs for different groups," he says. "In the 1970s, for example, increases in food and fuel prices adversely affected poorer groups, while in the 1980s the bias was against higher income groups with the prices of luxuries rising and prices of basic goods falling."

If such figures were published, they would almost certainly show that many more households than just those deliberately excluded would find changes in their own bills out of line with the RPI.

As incomes increase, households spend a higher proportion of their money on leisure services, such as entertainment and holidays, motoring, alcoholic drink, and clothing and footwear. The first three categories have risen in price by more than the overall RPI; the prices of clothing and footwear have been static.

At the same time, wealthier households spend proportionately less on housing, fuel, food and tobacco. The prices of housing and fuel have both fallen over the last year, with only tobacco outstripping the prices index.

So if the RPI were reweighted to reflect the spending patterns of the better-off, the inflation rate would probably be higher.

Moreover, some costs that fall heavily on wealthier households are not included in the RPI at all – for instance fees for private education, which increased by an average of 8.3 per cent this year, according to the Independent Schools Information Service's annual census.

Another expense of the better-off – the cost of private medical insurance – is also rising fast, according to Ms Jan Lawson, of Private Health Partnership, a specialist intermediary. She says medical insurance has risen by about 17-18 per cent over the last year, largely because of the increasing use of expensive medical procedures under private cover, and the general rise in medical costs.

Research by the FT suggests the super-wealthy may have been insulated from some price rises over the past year, as the recession has forced many companies offering high price goods or services to keep price rises in check.

For a "basket" of luxuries, including a return flight from London to New York on Concorde, a holiday for two in Grenada, a magnum of vintage Bollinger champagne, a pair of handmade brogues from Lobb's of St James's Street, a "Richmond" hamper from Fortnum and Mason, and a Savile Row suit, the overall rise was 1.2 per cent – below the RPI. Several prices were unchanged (see chart).

For the less adventurous consumer, the picture is more mixed. A survey of prices across retail sectors supports the view that the general level of increases over the past year has been low, with many prices falling – but there are important exceptions.

Smokers, for instance, are paying more for cigarettes. The March Budget put 10p on the price of 20 king-size cigarettes. Earlier this month, tobacco companies raised prices of most leading brands by up to another 4p a pack.

Transport costs have risen considerably. InterCity and Network SouthEast increased season ticket rates by up to 9.5 per cent this year. A typical InterCity first-class return fare has risen by about 6 per cent.

But some of the biggest increases have been in insurance premiums. General Accident said its comprehensive motor insurance had risen 4 per cent and non-comprehensive policies by 30 per cent, reflecting the increase in theft.

Households are also paying the cost of rising crime. The Consumers Association said that, across large UK insurers, household contents premiums had risen by 10-15 per cent, again reflecting rising theft and the growing incidence of fraudulent claims.

The changing cost of living

PRODUCT	1992	1993
Heinz Baked Beans 420g	[illegible]	[illegible]
Tetley Tea bags 80s	[illegible]	[illegible]
Persil Micro System Concentrated Automatic 2kg	[illegible]	[illegible]
Kleenex Velvet 4 roll	[illegible]	[illegible]
McVities Digestive 500g	[illegible]	[illegible]
Anchor butter	[illegible]	[illegible]
Kellogs cornflakes	[illegible]	[illegible]
Pint of bitter (national average for Bass-managed pubs)	£1.26	[illegible]
Pint of lager (national average for Bass-managed pubs)	£1.45	[illegible]
King size cigarettes (premium brand) 20	£2.27	£2.41
Levi 501 men's jeans	[illegible]	[illegible]
Camcorder	£635.80	[illegible]
VCR	£293.80	[illegible]
Dishwasher	[illegible]	[illegible]
Citröen ZX Reflex 1.4 litre 5-door	£8,529	[illegible]
BMW 318i 5-speed	£15,570	[illegible]
First-class rail open return London-Edinburgh	[illegible]	[illegible]
Petrol 4-star unleaded 1 litre	45.9p	[illegible]
Gas bill annual average	[illegible]	[illegible]
Electricity bill annual average	[illegible]	[illegible]
Mortgage £50,000 endowment	£448	[illegible]
Mortgage £50,000 repayment	£340	[illegible]
Mortgage £200,000 endowment	[illegible]	[illegible]
Mortgage £200,000 repayment	£1,862	[illegible]
School fees (Headmasters' Conference school) average per term	[illegible]	[illegible]
Helicopter from Battersea to Epsom Derby	£200	[illegible]
Concorde return flight London-New York	£5,030	[illegible]
14-day holiday for two in Grenada	£2,667	[illegible]
Handmade brogue shoes by Lobb's of St James Street	£1,030	[illegible]
"Richmond" hamper from Fortnum and Mason	£160	[illegible]
Double-breasted wool pinstripe suit from Huntsman's of Savile Row	£1,908	£1,908
Bollinger vintage champagne magnum	£60.50	[illegible]

Sources: AGB Superpanel 8 w/e Aug 92/93, Verdict Research, GfK Marketing Services, FT research

Holidays, which have been included in the RPI only since February this year, are more expensive. According to Thomson, the tour operator, package holiday prices are set to tumble next year, but short-haul packages are still more costly this year than last.

A family of four travelling in high season to Majorca, on 14 nights' half-board, would pay £2,148 – 3.6 per cent more than in 1992.

But the reason why the official measure of inflation shows a low rate of price increases is largely because many households have been helped by the steep fall in the cost of a mortgage. The standard variable mortgage rate in July last year was 10.65 per cent; it is now 7.99 per cent.

According to the Halifax building society, the average mortgage is £50,000. A 30-year-old non-smoking man with an endowment mortgage will have seen his monthly payments drop from £448 to £354 – a 21 per cent reduction. The underlying annual inflation rate, which excludes mortgages, was 2.9 per cent in July.

In addition, heating and lighting costs have dropped. British Gas has been forced to cut domestic prices by a tough formula set by its regulator, restricting price rises to five percentage points below the RPI.

Household electricity prices have fallen by an average of more than 2 per cent since April, mainly owing to lower coal prices, although price changes have varied by area.

Consumers are also paying less – or only a little more – for clothing and footwear, household and leisure goods.

Competition among store chains has been intense, with high levels of promotional and discounting activity trying to tempt recession-weary consumers to part with their cash.

For Levis 501 jeans, for example, monitoring by Verdict, the retail market research group, found prices at four national chains had not changed over the past year. But one store chain had lowered its price by £5, reducing the average from £40.32 to £39.49.

Marks and Spencer, the UK's largest clothing retailer, launched an "outstanding value" promotion last autumn, cutting the prices of a quarter of its clothing and freezing the price for the rest.

Argos, the catalogue retailer whose products range from jewellery and household goods to furniture and sports equipment, said that 75 per cent of items carried over from its spring/summer catalogue to its recently launched autumn/winter catalogue were at the same price.

Prices for electrical goods have also come down. GfK Marketing Services, which supplies pricing information to national chains, said average costs of both brown goods such as televisions and hi-fi, and white goods such as fridges, had fallen over the past year.

Food price inflation has been kept low by a combination of increasing price competition, fostered partly by the rapid spread of discount chains that sell a limited range of goods at very low prices, and other factors than 2 per cent.

Many fresh food prices have been falling this year, with several important commodity markets moving into surplus at the same time, and plentiful production of seasonal produce such as salad stuffs and vegetables.

The many pressures on prices highlight the difficulties in predicting where inflation will go next. While mortgage rates are expected to remain low, fuel costs will rise next April by 8 per cent with the first stage of the imposition of VAT. Seasonal factors that have kept food prices down cannot last.

GfK Marketing Services said it was seeing evidence of prices for electrical and leisure goods levelling off as summer promotions came to an end. Vauxhall announced yesterday that it was putting up the price of its cars by an average of 2.1 per cent from Wednesday.

So it may be too early to assume the UK has reached the "holy grail" of growth without inflation. Consumers who have been hit by the biggest prices rises might believe it is not even on the horizon.

Additional reporting by John Authers, Scheherazade Daneshkhu, Kevin Done, Deborah Hargreaves, Bethan Hutton, Andrew Jack, Rachel Johnson, Philip Rawstorne, Michael Smith, Emma Tucker

MAN IN THE NEWS: ***Cedric Brown***

A meter man at heart

It is not hard to imagine Mr Cedric Brown, chief executive of British Gas, turning up to read the meter. Mr Brown has never lost the bluff, genial manner he developed running one of British Gas's regional offices, where he was pitched into the middle of the company's battle to please its customers.

Mr Brown's matter-of-fact style has won him praise at the helm of Europe's 14th-largest company, by market capitalisation. Employees are warming to his increasing openness. He will need all the communication skills he can muster in coming months when British Gas faces crucial negotiations with the government over its structure.

The company must soon begin discussions over this week's recommendations by the Monopolies and Mergers Commission that it sell off its trading activities and relinquish its monopoly over household supply. The commission's report leaves a question-mark hanging over the company, which Mr Brown is keen to remove.

The doubts are largely of Mr Brown's own making. It was at his insistence a year ago – the day before he took over as chief executive – that British Gas submitted itself to an investigation of its entire business by the commission. His move was unprecedented in UK corporate history and the biggest gamble of his career. It could have led to the break-up of the company without compensation for shareholders.

This week Mr Brown said his gamble had paid off. He disagrees with the commission's conclusion that British Gas must be split up to encourage competition, but admits that its suggestions at least mean customers will pay for the changes, rather than shareholders. "We have by no means got everything we wanted out of this inquiry. I don't think anyone has, but that probably means the MMC got it just about right."

What pleases Mr Brown most about the commission's report is that it lays out a framework for the industry over the next 10 years. "This time last year, we had no idea of the regulatory demands that would come up in six months."

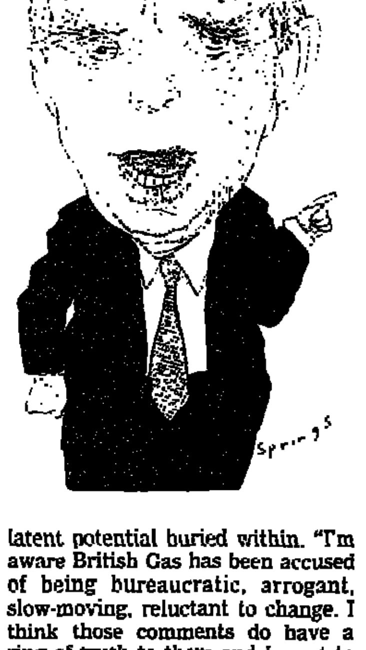
Uncertainty over regulatory changes in the run-up to the inquiry was partly a result of the acrimonious relationship between British Gas and its regulator, Ofgas, headed by the acerbic Sir James McKinnon. Contacts between the two had deteriorated to such an extent that they could barely work together.

One of Sir James's chief complaints about the company has been that it often thinks and acts like a nationalised monopoly in spite of seven years in the private sector. Sir James conjured up the picture of a company fighting tooth and nail to preserve the status quo, determined to hang on to its monopoly, rather than embrace competition.

British Gas hoped to address those concerns, albeit rather belatedly, last year with the promotion of the 58-year-old Mr Brown.

Mr Brown likes to think of himself as one of British Gas's risk-takers. The Yorkshireman caught the attention of the board of directors when he completed the £1.5bn Morecambe Bay development in the North Sea 13 years ago – British Gas's first venture into such a large offshore gas development.

Now he says he wants to take "a can-opener" to the utility he has inherited and release some of the



latent potential buried within. "I'm aware British Gas has been accused of being bureaucratic, arrogant, slow-moving, reluctant to change. I think those comments do have a ring of truth to them and I want to change that."

This is partly why Mr Brown is relaxed about giving up the company's monopoly. In a free market, where consumers have a choice of supplier, the role of the regulator would be diminished since no single company would dominate supply. This would give Mr Brown a free hand to develop British Gas without constant interference.

But having spent his 30-year career almost exclusively at British Gas, Mr Brown is a recent convert to the free market. He says he saw the light about halfway through the commission's inquiry at a hearing of British Gas's evidence by the monopolies panel.

"The MMC had raised a whole series of questions about the monopoly and we were stressing our concerns about what would happen if the market were opened up. It suddenly hit me that what we were saying sounded defensive," Mr Brown says. He adds that he then made clear to the panel that he did not want to defend the monopoly for its own sake.

But he stresses that there are important issues such as safety and prices to be addressed before the market can be opened up.

Cynics could infer from Mr Brown's change of heart that he realised he was swimming against the tide of a determinedly pro-choice government. "British Gas was slow to recognise the changes required in its attitude to competition," says one industry observer.

Mr Brown's conversion to the free market has not come lightly. "It would be dishonest to say this has been easy," Mr Brown confesses. "I take great pride in British Gas's achievements in creating the market for gas in the UK over the past 25 years."

But at least this way, by agreeing to give up the monopoly, Mr Brown can wrest some benefits for shareholders and safeguards for his customers in a market free-for-all – even if the government does not implement all the commission's recommendations.

He wants to concentrate on turning British Gas into an entrepreneurial organisation. some Over the next couple of years he intends, first, to develop a strategy for the company and then to begin a programme of cultural change. In this, he will be assisted by a new chairman, after Mr Robert Evans retires next year.

Some observers remain sceptical about Mr Brown's long-term strategic vision. He is best known for his skills as a facilitator, rather than as a thinker. But he is creating a climate at British Gas in which young talent can flourish – unlike the atmosphere he grew up with. Shaking off that stifling atmosphere, Mr Brown is reinventing himself as a free marketeer with a can-opener.

Deborah Hargreaves

Bugs that come to plague us

Clive Cookson on the renewed war against disease

A virulent new strain of cholera emerges from India. Diphtheria strikes at the heart of European Russia. Hantavirus starts killing Navajo Indians in the south-western US. Drug resistance fuels a resurgence of the world's two biggest killers, tuberculosis and malaria. And the global Aids epidemic sweeps on.

The current spate of stories about plague and pestilence may hasten the end of what the US Institute of Medicine calls an "era of complacency" – a period of about 30 years, during which the medical profession and general public assumed that they had won the war on acute infections and focused instead on chronic degenerative disorders such as cancer, heart disease and mental illness.

"We claimed victory too soon," said Dr Robert Shope, professor of epidemiology at Yale University and co-chairman of the institute's committee on emerging infections. "The danger posed by infectious diseases has not gone away. It's worsening."

Changes in the environment, in human behaviour and in the microbes themselves are interacting in a complex way to set the stage for new diseases to emerge and old ones to reappear. The main factors include:

- Poverty and population growth. Diseases thrive in overcrowded third world cities with inadequate sanitation and unclear water. An alarming example is a new strain of cholera now spreading fast through the Indian sub-continent; meanwhile the previous cholera epidemic, which originated in Indonesia in 1961 and reached South America in 1991, is still killing thousands of people a year.
- Development of forests. The rapid human intrusion into tropical forests is exposing people to new reservoirs of infection in animals and insects. Several "new" diseases are probably caused by old monkey viruses, including Aids, Ebola and Marburg fever. In the eastern US, the rapid increase in Lyme disease is due mainly to housing development close to wooded areas; the bacteria responsible are carried by ticks from woodland mice and deer – their normal hosts – to people living nearby.
- International travel and commerce. Increased mobility can spread a new disease rapidly around the globe wherever it arises. Aids, for example, probably took hold first in tropical Africa, travelled along the Mombasa-Kinshasa highway with truck drivers, soldiers and prostitutes – and reached the western hemisphere by air.
- Farming and food processing. Intensive animal rearing can transfer germs from animals to humans. Microbiologists believe that the most dangerous strains of influenza arise in south China where integrated pig-duck farming is practiced; the animals act as genetic "mixing vessels" in which genes from different flu viruses are recombined. Today's record levels of salmonella food poisoning in Europe and north America are linked to large-scale poultry production.
- Civil unrest and political instability. Pestilence has been linked with warfare throughout history; a current example is the epidemic of Kala-Azar, a virulent form of leishmaniasis, a disease spread by sandflies which has killed an estimated 50,000 people as a result of the prolonged civil war in southern Sudan. Political disruption can also lead to disease, as the current outbreak of diphtheria in Russia shows; its principal cause seems to be a breakdown of the immunisation system in the former Soviet Union.
- Drug resistance. Misuse of antibiotics has produced drug-resistant strains of many bacteria. In western industrialised countries, thousands of people die every year from antibiotic-resistant infections which they pick up while in hospital for other reasons. Tuberculosis, which kills 3m people a year worldwide, is beginning to acquire antibiotic resistance. And the fight against malaria, now responsible for 2m deaths a year, is hampered both by drug-resistance in the microscopic parasite that causes the disease and by pesticide-resistance in the mosquitoes that carry it.

Many microbes can undergo genetic changes at frightening speed – either random mutations or responses to environmental forces. As Mr Robert Walgate of the World Health Organisation's tropical diseases research unit put it, "one can see the 20th century, subjecting micro-organisms to so many pressures, as the most ambitious short-term experiment in evolution in the history of the world".

Under those circumstances, it is not surprising that some unpleasant new forms of viruses and bacteria arise. For example the latest cholera strain, known officially as 0139 Bengal, causes similar symptoms to its predecessor – diarrhoea, vomiting and severe dehydration – but appears to last longer in the environment and may be more difficult to eradicate from water supplies.

Microbiologists advocate a four-pronged strategy to contain the threat of infectious diseases.

- Surveillance. "Global infectious disease surveillance is the most urgently needed first step to protect ourselves," said Dr Stephen Morse, a virology professor at New York's Rockefeller University. WHO and the Federation of American Scientists are sponsoring a conference next month in Geneva, to lay the foundations of an international network of monitoring centres, located mainly in the tropics.

The global network would use the latest genetic and computer technology to spot emerging diseases, rather as the Centres for Disease Control does in the US. CDC was quick to identify the cause of a mysterious fever that has killed at least 20 people in the south-western states this year: the fever was a new Hantavirus spread by mice.

- Vaccines. One disease has already been eradicated by mass vaccination: smallpox in the 1970s. Several others that exist only in humans, with no animal reservoirs, could be wiped out in the same way and WHO says its campaign to eradicate polio by 2000 is on target. But prevention of many other diseases, including malaria and Aids, will require new vaccine technology.
- Drugs. Doctors must learn to be more sparing in their use of antibiotics, prescribing them only for known bacterial infections; doctors must also stop contributing to drug resistance by giving broad-spectrum antibiotics to patients with ill-defined symptoms who are unlikely to benefit. At the same time, pharmaceutical researchers need to develop not only new classes of antibiotic but also drugs against viruses and parasitic diseases such as malaria.
- Sanitation and hygiene. As Dr Hiroshi Nakajima, WHO director-general, put it, "cholera is the litmus-test of a country's socio-economic well-being. For as long as there is lack of proper sanitation facilities and safe drinking water, epidemics of cholera are bound to return, time and again".

In our present dirty world, with its inadequate drugs, vaccines and surveillance, is there a threat of more serious epidemics than those raging today?

The apocalyptic nightmare would be a new microbe combining extreme virulence – quickly killing a high proportion of those infected – with high transmissibility, passing easily from person to person through normal social contact in an otherwise healthy population.

Fortunately the human virus that came closest to that combination of virulence and transmissibility is the one already eradicated, smallpox. Some microbiologists say there are theoretical reasons for believing that the chances of anything similar arising again are extremely low. Viruses introduced from animals may cause lethal fevers but they do not pass easily between humans.

But Dr Shope warns against complacency. "The most disastrous emerging event might be another pandemic of influenza, like the 1918-19 pandemic that killed 20m people worldwide," he says. "But we don't know what the next event is likely to be and we must prepare to be surprised."

Basques in the home town of VW's José López think he is a hero whether or not they get a car plant, says **Peter Bruce**

Local boy can do no wrong

There are about a million square meters of green, wooded hillside just outside Amorebieta, on the road between Bilbao and Guernica in Spain, waiting to be flattened and developed. The homesteaders still living on it were paid for their property by the provincial government two years ago, when it was thought McDonnell Douglas might build aircraft wings there.

Nothing happened, but for the past year another dream has enveloped the people of the town. One of their own, studious little Josein who used to live by the river, had made good and was going to bring a car factory to town.

The dream originated in the head of Josein – Mr José Ignacio López de Arriortúa – while he was advancing through the ranks to the top level of management at General Motors of the US. In March this year, he took it with him, allegedly together with caseloads of secret GM plans and documents, when he fled the US group for Volkswagen.

Mr López had worked for 18 months at GM on a project for a revolutionary plant, in which cars could be built in a fraction of the time taken in conventional factories. Claiming disillusionment and dismay when he learnt the US group favoured eastern Europe for any new capacity, he accepted an oral pledge from Mr Ferdinand Piëch, VW chairman, and left for Germany.

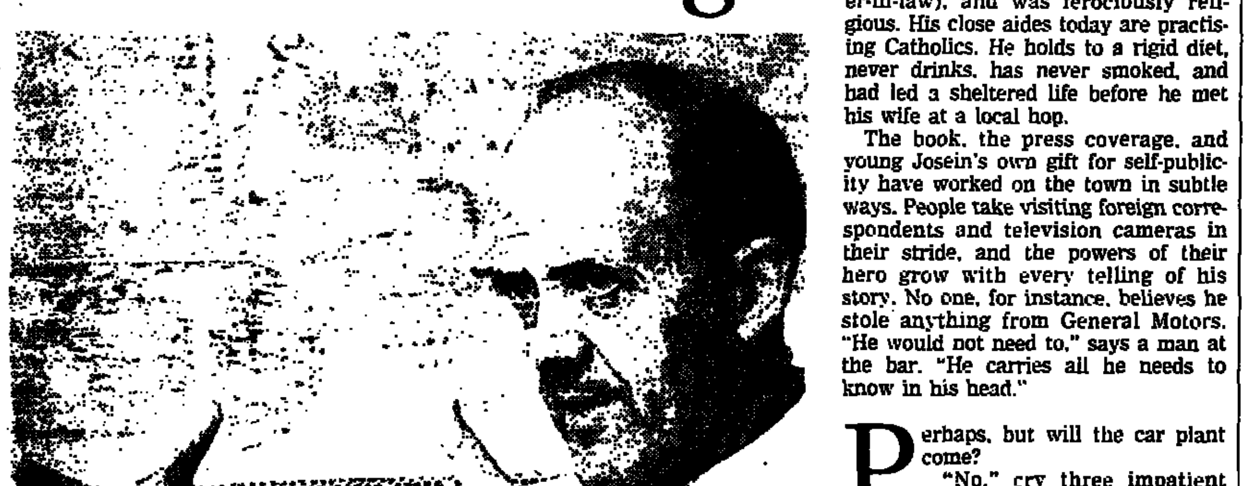
Mr López had a hand in preparing the generous terms on which the factory was to be built by a local consortium and in the leasing deal under which GM, and later VW, would pay "rent" according to the number of cars built. The land was free, and the plant operator would pay no taxes for 12 years.

At one point it seemed as though GM and VW might even fight over the site. The townsfolk were excited. After all, Josein had flown to Madrid in June to give a press conference to say it would happen.

Now their champion is in trouble, struggling to survive in a storm of controversy after a criminal investigation in Germany of alleged industrial espionage. In Amorebieta they blame GM, which asked for the investigation, for being a sore loser. But the car plant idea has gone, and now no one believes it will come. Mr López himself was told recently by Mr Piëch that the German car industry's worst crisis since the war was not the time to be building new capacity.

By all accounts, young Josein was a quiet, popular boy in the town. His father worked in a local tool factory and his mother later ran a bar, the Zuri Beltz (black and white). She still lives above it.

While he was growing up, the Basque Country was brought to its knees by Franco. He and his friends were careful not to speak their native Basque in front of strangers.



Reuter

López: the mildly popular boy who, say neighbours, never got too big for his boots

Nevertheless, Amorebieta grew to become an important metalworking centre. Its population, just 5,109 in the 1950 census, is now 16,025 "give or take a dozen", says the clerk at the town hall. The old stone López de Arriortúa home has gone, and the orchard between it and the river has become a car park and market.

The town, though run by moderate nationalists, is also a significant centre of support for the Basque separatist terrorist group, Eta. Mr Jon Idigoras, leader of Herri Batasuna, the political party that supports Eta, drinks regularly in a local bar. Eta has a different way of looking at the benefits that business can bring to a town. Its supporters kidnap directors; they are currently holding one businessman in an effort to raise finance for their "war" against Madrid. Mr Idigoras says the kidnapping is a private affair between Eta and the hostage's family.

Even heroes like Mr López step carefully around the extremists of Eta. And he is a hero. If he was mildly popular as a boy, Josein – whose speech impediment prompted his nickname of *el Tarta* from the word for "to stammer" – has now become a legend. Everyone seems to have known him, though the picture that emerges of him is fuzzy. At a photographic studio, a lady kindly tore a picture of the house he grew up in from an old album and sold it to me for Pta500.

"José?" asks a group of men in a bar, "sure we know him." They say he was a terrible football player and, although he lived next door to one of the Basque Country's most famous sportsmen, he never developed much ball sense. "He was always clumsy, always blinking," says one. He was apparently never naughty, and is remembered most for doing his homework and for his enjoyment of cutting grass with a scythe.

But was Josein just another goody two-shoes or, for a little boy, seriously obsessed with success? "I sometimes wonder whether he had a childhood at all," says one former friend. "He never did anything dangerous. We would go off and steal apples and he would go home and study."

Superlópez, a fulsome biography just published, says he was reading at two and was a budding engineer at six. The smartest boy in his class, he spied on his sister and her suitor (now his brother-in-law), and was ferociously religious. His close aides today are practising Catholics. He holds to a rigid diet, never drinks, has never smoked, and had led a sheltered life before he met his wife at a local hop.

The book, the press coverage, and young Josein's own gift for self-publicity have worked on the town in subtle ways. People take visiting foreign correspondents and television cameras in their stride, and the powers of their hero grow with every telling of his story. No one, for instance, believes he stole anything from General Motors. "He would not need to," says a man at the bar. "He carries all he needs to know in his head."

Perhaps, but will the car plant come?

"No," cry three impatient people queueing at the town hall as the clerk answers questions about Mr López for the umpteenth time, to a visiting journalist. "Not now."

"I doubt it," says the man selling copies of the biography at his corner bookshop.

In a way, it may not matter. Josein could come back here tomorrow and be taken to its bosom. Locals say he never got too big for his boots so they would have him back. The Basques would probably make him minister of industry. He has a nice house on the Guernica road and a boat in Santander.

He has clearly been plotting his way back to Amorebieta ever since he left in the mid-1960s. There, he can talk in the only language he speaks properly – Basque. The car plant was supposed to be his way of coming home.

A guide from the town sweeps a hand over the rolling countryside where the plant would be built. "The only people still laughing here are the ones living on the site," he says. "They've already been paid inflated prices and they're getting to stay on for free."

It is very beautiful. Even strangers want to stay. The local guide perks up at the compliment. "Thank you," he says. "It's not so bad. If Josein can't bring his car factory, we hear they're thinking of building a prison here."

Summertime special for the stock markets

Philip Coggan on the revival in equity prices

Happy days are here again. Stock markets in the US, UK, Germany, Hong Kong, Malaysia, Singapore and Spain recorded all-time highs this week, even though August is normally a quiet month for share trading.

With economic recovery still sluggish in the US and the UK, and non-existent in France and Germany, markets might seem to have little to be excited about. So for those who are still baffled, here is a bull's-eye view of the euphoria.

Why are stock markets reaching record levels?

"It all comes down to low inflation, low interest rates and low bond yields," according to Mr Dick Barfield, chief investment manager at Standard Life, the insurance company. Bond markets have been rallying round the world. Lower inflation expectations have boosted bond prices, and so cut bond yields. Investment institutions regularly switch between bonds and shares, so as yields on bonds fall, shares become more attractive.

A further factor is that inflation had been so high for so long that investors in the 1980s demanded a high real (after inflation) return. That may now be changing.

"The market has now come to believe in lower real interest rates rather than merely lower nominal interest rates," says Mr Michael Hughes, head of global investment strategy at BZW, the securities company. That is more good news for both equities and bonds, since it allows yields to fall, and thus prices to rise even further.

Returns on cash deposits are also falling, and expected to fall further, especially in continental Europe now that the effective collapse of the exchange rate mechanism allows governments to set economic policy in relation to their own needs, and not those of the Bundesbank. Again, when returns on cash fall, the attractions of equities increase.

A small difference in the market yield can make a lot of difference to share prices. If investors are prepared to accept a 3 per cent, rather than a 4 per cent yield, share prices will rise by 33 per cent.

Lower interest rates are of obvious benefit to industry as they reduce the cost of doing business and increase profits. All this adds up to a bull market.

How do markets look in terms of traditional valuation measures, such as price-earnings ratios and dividend yields?

"Most of the valuation measures look pretty expensive compared with the 1970s and 1980s, although not when you look at the 1960s," says Mr Barfield. As Mr Albert Edwards, global equity strategist at Kleinwort Benson, the securities house, says: "the UK market is at its most expensive in terms of the price-earnings ratio since 1972" – a peak which was swiftly followed by one of the worst bear markets in history.

However, bullish investors and commentators argue that the historic price-earnings ratio is based on earnings depressed by a long recession. As economies grow again, earnings will grow rapidly and that means the prospective p/e ratio is much lower.

The dividend yield on UK shares is currently 3.6 per cent, compared with an average of 5 per cent over the period 1918-1992; but BZW's Mr Hughes points out that a large part of that time-period is biased towards those years when inflation was a problem. The real yield on equities is currently positive, normally a good sign.

In the US, the dividend yield is even lower, at 2.86 per cent. Historically, when the yield has dipped below 3 per cent, the stock market has subsequently dropped sharply, notably in 1929 and 1987. But Mr Hughes argues that earnings growth is now coming through in the US, so the prospects for dividend growth are good.

Is it too late to invest?

Private investors have an unfortunate tendency to invest at the top of the market; the time to sell shares, according to the legend, is when 'elevator boys' are passing on stock tips.

The UK rally has been so rapid that Mr Barfield says, "I can't be wildly bullish but I wouldn't want to dissuade investors from entering the market given the yields on other assets." Mr Hughes adds: "For a private investor I don't think it's time to put in a lump sum, but they should keep up regular savings schemes."

Is it all doomed to crash, as it did in 1987?

Bullish observers argue that things are very different from 1987, when markets and economies had been buoyant for several years. Now much of the world is either emerging, or close to emerging, from recession. "In 1987, equity markets got well ahead of bond markets. This rally is more soundly based," says Mr Barfield.

What normally upsets markets is something they did not expect – such as inflation rising.

Kleinwort Benson's Mr Edwards thinks that inflation may eventually revive. "Governments are very unpopular so they will pursue a low interest rate policy and they will probably keep the policy up for too long," he says. That may lead to renewed inflation in the medium term, he adds, but "the problem won't hit equity and bond prices until 18 months from now".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Housing associations not criticised by audit report

From Mr David R Hucker.

Sir, Your headline "Audit rap for housing associations" (August 18) bore little resemblance either to the article that followed or the contents of the National Audit Office report on which it was based.

As the chief executive of one of the 14 associations included in the NAO study, I certainly do not feel "rapped" over my organisation's stewardship of the public funds made available to us, nor do I believe that the NAO pinpointed any serious shortcomings in the way in which associations handled their development programmes.

The growth in the work of associations over the past three years has been significant and, inevitably, we have had to improve financial forecasting and learn the requirements of the money markets to raise private finance. Despite this, our record has been impressive – as the response to the government's 'housing market package' showed.

While, like many organisations, improvements can always be made I believe that your headline may lead some readers to have doubts over the work of associations in general and over the good security they continue to offer lenders for the future.

David R Hucker,
chief executive,
Orbit Housing Association,
44/45 Queens Road,
Coventry CV1 3EH

Euro-sceptics a misnomer

From Mr Simon Feacey.

Sir, Why does the FT and the British media in general continue to describe the anti-Maastricht element in the House of Commons as "Euro-sceptics"? They are anti-European and should be described as such.

Simon Feacey,
Lohweg 24,
63075 Offenbach,
Germany

Abandoning Thorp nuclear plant would cost UK jobs, trade and investment

From Mr John R S Guinness.

Sir, Contrary to the impression given by your leader of August 5 ("Nuclear decision") and letters in your August 12 edition, there will be no winners if the Thorp nuclear waste processing plant is cancelled but only losers, notably the Treasury, the UK's reputation as an international trading nation and responsible haven for inward investment, and the west Cumbrian economy.

Greenpeace attacked Thorp on environmental grounds. Yet after two years of scrutinising the plant and considering voluminous representations, the Pollution Inspectorate and the Ministry of Agriculture Fisheries and Food concluded: "The provisions of the draft authorisations [covering Thorp] would effectively protect human health, the safety of the food chain and the environment generally."

Greenpeace now claims that our customers would like to withdraw from their contracts. This is equally unfounded. Statements of support from Nuclear Electric and Scottish Nuclear and from our European customers have been published in the documents circulated by the Department of the Environment. A full-page advertisement appeared in the FT on June 23 headed "The Japanese utility companies want Thorp". If the Japanese utilities had turned against reprocessing, why would they be constructing their own reprocessing plant in Japan?

Thorp's cancellation would also gravely damage our position as an international trading nation. Consider the likely impact on our trade and inward investment projects with Japan and Europe if we had to inform the Japanese and European utilities that their £1.9bn investment in Thorp would be written off.

The Friends of the Earth alternative – apparently endorsed by your leader – of turning west Cumbria into an international nuclear spent-fuel store would represent a staggering U-turn in Friends of the Earth and government policy, and is fundamentally flawed. Our customers want their recycled fuel back. Some would almost certainly transfer their business to France if the UK cancelled Thorp.

The idea that this U-turn would solve Cumbria's employment problems is naive. Thorp will support more than 3,000 jobs in west Cumbria and about 6,000 in the UK. These are long-term manufacturing-related jobs, many of them highly skilled. By contrast, the jobs involved in knocking down Thorp would be short-term. No more than 100 jobs would be supported by dry storage. Your suggestion that Thorp be dismantled and transported to Japan is even more naive, as any first-year engineering student will know.

The economic case for Thorp is very robust. The Treasury would have killed Thorp during the past 12 months if it had not been convinced of our economic case and of the economic folly of those who wish to turn Thorp into Europe's largest white elephant.

John R S Guinness,
chairman,
British Nuclear Fuels,
65 Buckingham Gate,
London SW1E 6AP

Why is mail order so slow?

From Mr Jonathan Price.

Sir, In 1967 I ordered a pendant from a mail order company in the first of many hundreds of such purchases over the years. After I sent off my postal order for 7s 6d, the pendant took four weeks to arrive. I almost despaired at the delay, but looking back I realise that the order and the accounting would have been processed entirely manually.

What I cannot understand is that if I were to repeat the exercise today, but ordering by telephone and using my credit card, the result would be the same, a wait of four weeks (or longer in some cases).

One would think that the processing of orders could be computerised to allow a turnaround of less than a week. In fact there is proof that it can: the Next Directory generally delivers within 48 hours and occasionally within 24. Why are companies still quoting a 28-day service? The good old British tradition of poor service, one can only assume.

Jonathan Price,
10 Bell Meadow,
Dulwich Wood Avenue,
London SE19 1HP

The incredible cost of corkage

From the Rt Hon R G Withers.

Sir, While in London recently I read an article entitled "Bring your own drink" (July 10/11) by Nicholas Lander. I was somewhat surprised to see that Mr Lander's suggested corkage – if bringing your drink were introduced in British restaurants – would be a maximum of £5 for wine and £10 for champagne.

In the City of Perth, I checked around and over half of our restaurants make no charge at all, or if they do charge it is either 50 cents or A$1.00 a head.

I wish British drinkers great success in dining out but they should never pay a corkage of more than 50p a head.

R G Withers,
Lord Mayor,
City of Perth,
27-29 St George's Terrace,
Perth,
Western Australia 6000

Eurotunnel seeks help from French

By Robert Peston

THE International Chamber of Commerce in Paris was yesterday asked by Eurotunnel to arbitrate in a long running dispute between the operator of the Channel tunnel and British Rail and SNCF, the UK and French national railways.

The dispute relates to the railway usage contract signed in 1987 between the railways and Eurotunnel, the company which built and will operate the Channel tunnel.

Eurotunnel claims that the contract "can no longer deliver the balance of benefits envisaged by the parties at the time it was agreed". Failure to change the contract could cost it tens of millions of pounds it believes.

However British Rail and SNCF in a joint statement said: "Eurotunnel has chosen to fabricate a dispute with their principal customers [the railways]…. *We do not have a* dispute with Eurotunnel. We believe that all parties should now work wholeheartedly together for a successful launch of the cross Channel service on the basis of the contract".

The contract says that 50 per cent of tunnel capacity should be made available to the railways against payments related to volume of traffic and operating costs. That would allow the railways to carry 17.4m passengers and 8.1m tonnes of freight each year.

However railway usage in the early years of tunnel operation, from next year, is now expected to be far less than at the time the contract was signed – and therefore Eurotunnel's revenue from the railways will be less. In part, this shortfall is due to the late arrival and slow build-up of scheduled passenger train services, according to Eurotunnel.

The contract also set out the railways' obligations in respect of infrastructure at each end of the tunnel to support the volume of tunnel traffic.

*Eurotunnel alleges the infra*structure in the UK, in particular the station at Ashford in Kent, is inadequate and that rail capacity in the UK, especially on Network South East, will be insufficient for the rest of the decade.

Sir Alastair Morton, Eurotunnel's co-chairman, recently said that the French railways had by contrast performed "splendidly" in providing infrastructure on that side of the Channel.

Injecting extra fizz into global ambitions

Philip Rawstorne looks at Cadbury Schweppes' £154m soft drinks move

CADBURY *Schweppes'* £154.2m acquisition of a further 20.2 per cent stake in Dr Pepper/Seven-Up is widely regarded as only a preliminary move towards strengthening its position in the $47bn US soft drinks market.

"The deal shows that the group has recognised its weakness in the market. It does not, by itself, enable it to break through its limitations," said one industry analyst.

Cadbury's position in US soft drinks encapsulates its wider strategic problem. It has outgrown the UK, but not yet achieved the stature it needs to become a real force in the international league.

Its overseas operations, encompassing some 170 countries, are widely but thinly spread. It is the leader in only a few, mostly Commonwealth markets.

Though the world's third largest soft drinks producer, its *4 per cent share of the global* market puts it well behind Coca-Cola and Pepsico. Schweppes and Canada Dry may be global brands, but most *of its portfolio consists of niche* products with limited mass market appeal.

Similarly in the international confectionery business, *it lags substantially behind* Nestlé and Philip Morris.

Cadbury's argument that exploitation of profitable market sectors is more important than market leadership and scale has done little to allay concerns about its longer-term growth. The group's further investment in Dr Pepper/Seven-Up appears to many sceptics *to promise a more realistic* strategical approach.

Cadbury first acquired a stake in Dr Pepper in 1986/87, and after the company's merger with Seven-Up in 1988 was left with a 5.7 per cent shareholding in the combined group.

Dr Pepper/Seven-Up is the third largest US soft drinks franchiser and one of the fastest growing companies in the US carbonated drinks industry, lifting sales last year by 7 per cent in a total market that grew only 1.5 per cent.

Sales of brands such as Dr Pepper and Seven-Up give it a 10.6 per cent share of the $47bn soft drinks market. Last year, the group reported operating profits of $160.6m on sales of $658.7m, and a net loss, after charges incurred in two aborted attempts to make a share issue in the US.

Dr Pepper produces the bulk *of Cadbury's soft drinks con*centrates for the US market and acts as sales agent for some of its drinks brands in the food service sector.

*The alliance has made Cad*bury the fourth largest soft drinks company in the US with a 3.4 per cent share of the market. Brands such as Schweppes, Canada Dry and Sunkist are distributed through more than 850 independent bottlers, and the operation also markets a range of juices.

Mr Dominic Cadbury, chairman, said yesterday that he regarded the share acquisition as "an excellent opportunity" to increase substantially the group's investment both in Dr *Pepper and in the US soft* drinks industry.

Nobody believes that will be the end of the matter: that Cadbury will merely rest on its 25.9 per cent shareholding.

The group signalled its intention yesterday of continuing discussions on "further ways in which the two companies can co-operate to maximise their respective strengths."

Analysts believe there are only two ways forward if Cadbury is to get more competitive muscle out of its investment: a full-blown takeover of Dr Pepper or the injection of its brands into the company in exchange for additional equity.

Cadbury and Dr Pepper have already discussed the terms of an acceptable standstill agreement on further share-buying by the UK group – and the talks will continue.

Mr Dominic Cadbury denied that a full takeover plan lay behind yesterday's deal, but said he was ruling out nothing in the longer term. "I would not rule out a further step in *the future, but equally we have* no plans for that. We're not ruling it in, we're not ruling it out."

Mr Cadbury showed little *inclination yesterday to get* involved in the management of Dr Pepper – and though Cadbury tried to buy the company in the 1980s, few involved in the industry believe a renewed bid is unlikely.

"Dr Pepper's management certainly does not want to surrender control of the company," said one analyst. "The *price of a hostile bid for the* remaining 75 per cent shareholding would be close to £1bn. Cadbury would need a rights issue to fund it, and with gearing already up to 80 per cent, that would cause some concern in the City of London."

The City would certainly feel easier if Cadbury, instead, were to inject its carbonate *brands into Dr Pepper in* exchange for cash and another slice of stock.

Though Cadbury would cede management control, its long-term interests in the market, some analysts argue, would be better served by owning, say, 35 per cent of a company with a 14 per cent to 15 per cent *share of the US market.*

The combination of brands would have more appeal to independent bottlers and give the operation greater competitive strength.

It could also provide the foundation for developing the growth of Cadbury and Dr Pepper brands in tandem in other international markets.

Dominic Cadbury (left) with finance director, David Jinks: no plans for a full takeover

All quiet on the Hartstone front

By Peggy Hollinger in Aylesbury

ONE Hartstone shareholder summed up sentiment at yesterday's annual meeting before it even began: "They have got someone at the top now who hopefully knows where he is going!"

Even the chairman of the struggling hosiery and leather goods group, Mr Shaun Dowling, who replaced the company's founder, Mr Stephen Barker, in May, was not prepared for such confident support.

He described himself as somewhat "surprised" by the lack of excitement following the roller-coaster performance of the company's shares in recent months.

They have fallen from a 12-month high of 307p to yesterday's 61p after three profits warnings and the revelation of pre-tax losses of £9.9m for 1992 following a spectacular acquisitions spree across Europe in recent years.

"*I would not have minded* more questions," said Mr Dowling, who had to answer only two from the small group of shareholders who attended the half-hour meeting.

Perhaps it was the atmosphere of the venue, the luxurious 16th-century Hartwell House hotel, once a home of King Louis XVIII of France, which moved shareholders to silence.

It may have been Mr Dowling's own manner which one shareholder described as "intimidating … one was not encouraged to talk."

Most of the 20 or so private shareholders who turned up seemed to have suffered from wilful amnesia over the company's recent troubles. "It's a new board, isn't it?" said one.

The board was not asked, for example, about the inquiry undertaken by Coopers & Lybrand, or if there would be any action taken against any previous management.

The last shadows of the old Hartstone were dispersed with the announcement that Mr David Gratton, former finance director, was stepping down from the board.

Shaun Dowling: not prepared *for such confident support*

Bristol & West doubles to £20.4m

By John Gapper Banking Editor

BRISTOL & WEST, the 10th largest building society, which has been troubled by high levels of bad debt, yesterday disclosed doubled pre-tax profit at the half year and said it had reduced mortgage arrears significantly.

The society, whose long and short-term debt ratings were downgraded last month by the European ratings agency, IBCA, because of high levels of *arrears, disclosed a jump in* pre-tax profits to £20.4m (£9.5m).

The percentage rise was increased by the adoption of the FRS 3 accounting standard, which meant a restatement of last year's first half profits from £13.1m.

Mr Tony FitzSimons, the society's chief executive, said total mortgage arrears had fallen by 19 per cent on the end of 1992, while the value of mortgages more than 12 months in arrears had dropped by 15 per cent from £102m to £87m.

The society was badly affected in the first half of last year by a fourfold rise in provisions for bad debts because of a fall in the value of repossessed homes. Mr FitzSimons said the society was now selling repossession actively.

Provisions rose 11.4 per cent to £33.1m (£29.7m) because of suspended interest and the realising of losses on repossessed properties. Mr FitzSimons predicted that full-year provisions would be down on last year's total of £74.1m.

Net interest income rose to £78.3m (£64.2m) and other operating income moved up to £35.2m (£30.6m). *Expenses also* grew to £60m (£55.6m) as the society wrote off goodwill on Channel Islands estate agency and a housing association acquisition.

The society's capital ratios increased through the retention of £14.5m post-tax profit and the issue of £75m subordinated debt. Gross capital was 7.3 per cent of share and deposit liabilities, against 6.2 per cent at the end of 1992.

Thomas Jourdan cuts loss to £0.5m

THOMAS JOURDAN, the diversified manufacturing group, is seeing the benefit of restructuring undertaken over the last three years, and has almost halved its loss.

For the six months ended June 30 the group incurred a pre-tax deficit of £465,000, compared with £874,000, from turnover of £8.96m (£8.9m). There was a £67,000 (£290,000) excep*tional charge, this time repre*senting the cost of holding surplus properties.

The group makes trouser and tie presses, decorative fire surrounds, handles for cabinet furniture, cosmetic and industrial brushes, and solid wood fitted furniture.

Mr Keith Whitten, chairman, said a significantly larger part of profits came in the second half. The improvement in trading was mainly the result of rationalisation and innovation and from the launch of new products.

His belief that the group would perform satisfactorily in the rest of the year was not based on any dramatic upturn *in consumer demand, but* "rather on the fact that we have efficient well run businesses able to trade profitably at current levels of activity".

In the half year losses per share were cut to 2.59p (4.86p). The interim dividend is again 0.5p, payable January 6.

Mersey in talks with Medway

By Peter Pearse

THE MERSEY Docks & Harbour Company announced yesterday that it was "in the early stages of exclusive discussions" which could lead to *it acquiring Medway Ports,* bought by its management and employees for £54m and the assumption of £17m of debt in March 1992.

Earlier this week Medway revealed that it had received a number of approaches from potential bidders, including Forth Ports and Powell Duffryn.

Neither Mersey nor Medway would reveal details about the talks because confidentiality agreements have been signed.

However, at the beginning of the month, when he was announcing plans for Medway's stock market flotation – expected to raise about £70m – Mr Peter Vincent, its chief executive, did not rule out the possibility of becoming part of a larger ports group.

In February, Mr Trevor Furlong, Mersey's managing direc*tor, said that Mersey Docks* was still looking to buy an east coast port that would provide synergy at the European end of a UK land bridge.

The reasons Medway would favour a merger with Mersey are thought to include the prospects for the enlarged business, price, and management teams which see eye to eye. A combined Mersey/Medway would be the second largest grouping after Associated British Ports.

Medway controls Sheerness, a deep water port which has eschewed containers and handles cars and fruit and forest produce.

Medway also controls the former Royal Navy dockyard at Chatham, which includes 140 acres of development land next to the Medway road tunnel, currently under construction.

The government still holds a 20 per cent stake in Mersey which the company said would be sold when "appropriate".

● The Labour Party last night accused the government of privatising Medway, which was owned by a local trust, for "a knock down price".

Ms Joan Walley, shadow transport minister, said she would call on Sir John Bourn, the comptroller and auditor general, to hold an investigation into last year's sale.

The Department of Trade and Industry said Medway was "a private sector port and it's up to them what they now do."

Bailey sells 4.4m Bristol Ship shares

MR CHRISTOPHER Bailey, outgoing chairman of Bristol Channel Ship Repairers, has sold 4.4m shares owned by his *family interests at 10p each to* the Norwegian company which won control of the UK ship management company earlier this year.

The shares were suspended at 8p on Thursday at the company's request because it had started talks with Mr Andreas O Ugland, chairman-designate, and other members of his family, regarding the proposed acquisition of a fleet of vessels and a ship management business.

The Ugland family interests now have a total of 23.7m shares, some 29.7 per cent of the share capital.

Exceptionals leave Raglan £2.4m in red

AFTER allowing £1.49m for additional write-offs and a reduction in property values, Raglan Property Trust, the property developer and investor, incurred a pre-tax loss of £2.44m for the year ended March 31 1993.

That compared with £1.58m last time when there were exceptional charges amounting to £960,000.

Turnover came to £354,000 (£9.49m), generating a gross profit of £268,000 against £80,000.

Losses per share worked through at 1.4p compared with 0.9p.

In April a capital reconstruction took effect, which included raising £7m of new equity, converting £3m of principal creditors' debt into equity and repaying the balance of their debt.

As a result the company's finances were now on a more secure basis.

Since the year-end progress had been made with the development proposals for the shopping centre in Banbury.

Also, 18 freehold shops were acquired from Dunn & Co and Philips Pension Fund for £7.5m at an average yield of 9.3 per cent.

Finance came from a £6.3m loan from NM Rothschild with the balance from Raglan's own resources.

BSM hopes to raise up to £50m in flotation to help fund expansion

By David Blackwell

BSM GROUP, owner of the British School of Motoring, one of the largest franchisers in the UK, is aiming to raise between £40m and £50m *when it is floated on the London* Stock Exchange in mid-October.

Announcing the long expected flotation yesterday, Mr Paul Massey, chief executive, said the money would be used to repay about £30m *of debt from the man*agement buy-out of the company in 1990.

It is on high fixed interest rates so a lower interest bill post-flotation and the new money *raised will help fund the* group's expansion.

BSM reported an operating profit of £4.1m on turnover of £21m last year. For the six months to July 2 this year operat*ing profit was £2.2m on turnover of* £11.8m.

It is the largest driving school in the UK, and the only one with a national presence. It operates through 134 branches spread *between Aberdeen and Plymouth and has* 2,000 self-employed instructors.

Founded in 1910 by an Edwardian motoring enthusiast, the company was acquired in 1973 by Sir Anthony Jacobs, a businessman with wide interests. He was hoping to retain it but decided to sell when he retired and his son wanted to pursue other interests.

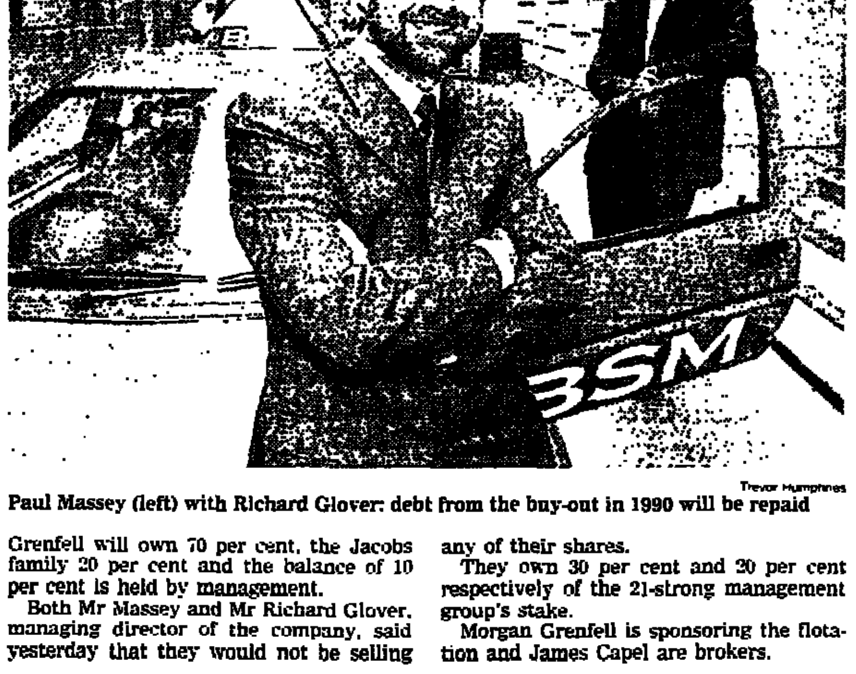
The £40m management buy-out, which topped offers from car makers and leasing companies anxious to secure a captive market, was led by Morgan Grenfell Development Capital Partners.

At the time of the flotation Morgan Grenfell will own 70 per cent, the Jacobs family 20 per cent and the balance of 10 per cent is held by management.

Both Mr Massey and Mr Richard Glover, managing director of the company, said yesterday that they would not be selling any of their shares.

They own 30 per cent and 20 per cent respectively of the 21-strong management group's stake.

Morgan Grenfell is sponsoring the flotation and James Capel are brokers.



Trevor Humphries

Paul Massey (left) with Richard Glover: debt from the buy-out in 1990 will be repaid

NEWS DIGEST

WBB still rejecting Sibelco bid

FOLLOWING the latest count, the directors of Watts Blake Bearne still recommend independent shareholders to reject the offer from SCR-Sibelco.

By the second closing date only a further 0.01 per cent of the shares had been put up for acceptance, bringing the total to 0.58 per cent.

Sibelco says it speaks for 47.1 per cent of the capital and has extended the offer to September 7. Prior to the start of the offer it held or had unconditionally agreed to acquire 30.4 per cent of the capital.

Subsequently, it agreed to purchase Quarzwerke's entire holding of 14.8 per cent, and is acting in concert with it.

In addition, Sibelco has unconditionally agreed to acquire 1.3 per cent.

Peek makes £1.14m disposal in US

Peek, *the international traffic* and field data systems company, has sold the remaining business and net assets of Navstar and its US subsidiary to Silicon General of San Jose, California.

The consideration amounts to about £1m for technology developed by Navstar and £138,000 for net tangible assets. It will be satisfied by the repayment of an inter-company debt within the Peek group.

Abtrust Scotland offloads Seaforth

Abtrust Scotland Investment Company, will realise £1.7m from the sale of Seaforth Maritime group to Brown & Root, part of Halliburton Company, in a deal worth about £8m.

The profit to Abtrust will be about £1.6m on its original investment of £100,000 and represents an overall internal rate of return of 51 per cent.

The disposal will add about 1.3p to Seaforth's net asset value.

CSI sells Georgian House Restaurant

Cannon Street Investments, the mini conglomerate, has disposed of Georgian House Restaurant and Hotel to William Hargreaves for a nominal sum.

Prior to its disposal in November 1992, William Hargreaves was a wholly-owned subsidiary of CSI.

CSI has also sold its holding of £1m convertible preference shares in WHL to Gordon Hargreaves, a director of WHL and previously of Georgian House.

Bank borrowings of Georgian House amounting to £4.1m have been assumed by WHL.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	-	147	125	Bakyrchik	142	-3	-	-	-	-
†159	P.P.	-	168½	150	British Telecom (P/Paid)	168½	-1	W15.6	1.4	10.6	8.7
100	F.P.	-	100	94	Dunedin Japan Inv	97½	-1	-	-	-	-
-	F.P.	-	55	35	Do Warrants	54	-1	-	-	-	-
100	F.P.	-	102	98	EFM Small Co's. Tst	98	-1½	-	-	-	-
-	F.P.	-	58	53	Do. Warrants	54		-	-	-	-
-	F.P.	-	5	3½	♣Explaura A	5		-	-	-	-
-	F.P.	-	153	149	Finsbury Smlr. Co's. C	153		-	-	-	-
65	F.P.	-	81	75	Flying Flowers	81		R1.3	3.2	1.6	18.4
100	F.P.	-	111	101	Lazard High Inc Tst	109	-1	-	-	-	-
-	F.P.	-	68	52	Martin Currie Pac Wts	55	-½	-	-	-	-
-	F.P.	-	28	18	Raglan Warrants	26		-	-	-	-
250	F.P.	-	348	285	Shandwick Inv Servs	345		W7.5	1.8	2.7	24.9

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
5	Nil	25/8	¼pm	¼pm	Alliance Res.	½pm	
10	Nil	20/8	5¼pm	2½pm	Britton	5½pm	
10	Nil	27/9	2½pm	1pm	Business Technology	1¼pm	-¼
75	Nil	3/9	20pm	3pm	Cussins Property	20pm	
8	Nil	1/9	3½pm	2½pm	♣Northumbrian Foods	3pm	
165	Nil	28/9	25pm	18pm	Sedgwick	25pm	+3
240	Nil	22/9	40pm	33pm	TT Group	33pm	
10½	Nil	27/9	1½pm	1pm	♣Willers	1pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	111¼p	109p	Regency 8½pc Cm. Pf.	111p	
100	F.P.	-	107½	105	Coats Viyella 6¾pc Cv Bds 2003	107½	-¼
100	F.P.	-	104⅛	98⅞	Greenalls 7pc Cv Bds 2003	104⅛	+⅛
-	F.P.	-	113¼	107⅞	Marley 6½pc Cv Bds 2008	113¼	

TRADITIONAL OPTIONS

- First Dealings Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown on page 9.

Calls in Aminex, Development Securities, Micro Focus, Pentos, Smith New Court, Tadpole Tech., Vistec and Vodaphone. Put in Smith New Court. Double in Shandwick.

M T W T F S S

ECONOMIC DIARY

TOMORROW: Central African Republic presidential and parliamentary elections. Mr F.W. de Klerk, president of South Africa, leaves for a week-long visit to Argentina, Uruguay, Paraguay and Chile.

MONDAY: Annual meeting of Southern African Development Community (SADC) starts in Mbabane. Mr Algirdas Brazauskas, president of Lithuania, will meet Mr Boris Yeltsin, Russian leader, to discuss ways of restarting the withdrawal of Russian troops from the Baltic state. Mr Poul Rasmussen, Danish prime minister, starts a visit to Greenland (until August 30). The TUC general council report to the 1993 Congress is expected to be published. First half results from WPP Group.

TUESDAY: Mr Klaus Kinkel, German foreign minister, holds talks in Dresden with his French counterpart Mr Alain Juppe.

WEDNESDAY: The Department of the Environment gives figures for new construction orders during June. US durable goods (July). World Court hearing in The Hague on Bosnia against Serbian annexation. Mr Ibrahim Babangida, Nigeria's military ruler, has pledged to hand over to the elected civilian government after scrapping a June presidential poll. Annual results from WH Smith Group.

THURSDAY: Central Statistical Office publishes National Accounts (advance annual estimates) (1992) and engineering sales and orders at current and constant prices (June). The Department of Trade and Industry issues energy trends figures (June). US jobless claims. Mr Helmut Kohl, German chancellor, and Mr Edouard Balladur, French prime minister, meet in Bonn to discuss European union and world trade. Bundesbank council meets. Interim statements from Guardian Royal Exchange, Rentokil and Alfred McAlpine.

FRIDAY: Confederation of British Industry publishes its monthly trends enquiry (August). The Department of Transport gives figures for new vehicle registrations in July.

LIFFE EQUITY OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Allied-Lyons	600	33½	48	55	14	27	30
(*614)	650	11	23	31	42½	55	57½
Argyll	330	33½	40	47½	5½	12½	16
(*354)	360	15	24	31½	18	26	30
ASDA	57	10	-	-	2	-	-
(*64)	67	4	-	-	6½	-	-
Brit Airways	345	21½	37½	-	14	23	-
(*348)	360	14½	23½	31½	22	31½	36½
SmKl Bchm A	420	49½	54	62½	7½	17	21½
(*430)	460	19½	32	42	25	35	38½
Boots	460	37½	46	55	8	14½	19½
(*488)	500	14½	23	33½	25½	34	39
BP	280	26½	31	35	4	8½	11½
(*296)	300	12½	19½	24	11½	17	20
British Steel	110	10	16	19	6½	10½	13
(*111)	120	6	11	14½	12½	15	18
Bass	500	31	42	48½	13	26½	32½
(*515)	550	9	18	25	41	57	62½
Cable & Wire	800	62½	79	96	11½	23½	29½
(*843)	850	31	50½	66½	31	45	51½
Courtaulds	550	37½	48	61	11	19½	28
(*568)	600	12½	24½	36	37	46	57
Comm Union	580	57	-	-	4	-	-
(*627)	629	22½	-	-	19½	-	-
GKN	500	18½	-	-	23½	-	-
(*500)	550	5	-	-	63	-	-
ICI	681	35	54	-	19½	28½	-
(*692)	750	8½	22	30½	64	68½	83
Kingfisher	650	47	65½	78½	14	22½	28
(*685)	700	18½	38½	49	35½	45½	49
Land Securs	650	38½	48½	61½	12	22	27½
(*689)	700	11½	25	36½	38½	49	53½
Marks & S	360	18	26	33½	10½	17½	19
(*365)	390	5	12½	19½	28	34	35½
NatWest	460	34	46½	51½	8½	15	23½
(*480)	500	12½	24½	30	28½	34½	44
Sainsbury	500	37	46	58½	10½	19	23½
(*522)	550	11½	23½	33	38½	45	49½
Shell Trans.	650	18	31½	37½	22	29½	39½
(*650)	700	3½	13½	18	61	64	71½
Storehouse	220	17	23	27	6½	12	14½
(*228)	240	7	13	17	17½	23	25
Trafalgar	101	14	-	-	4	-	-
(*108)	110	8	12½	15½	7½	12	14
Unilever	1050	42	61½	75	28½	41½	53½
(*1056)	1100	18	37	51	59½	70½	82
Zeneca	700	29	44	51½	30½	39	52½
(*703)	750	11½	24	30	66	71	83½
Option		Oct	Feb	May	Oct	Feb	May
Grand Met	420	38	48	53	6½	16	20½
(*447)	460	14	25½	32½	24	36	40½
Ladbroke	200	23	29½	31½	6½	12	17½
(*217)	220	11	18½	22	16½	22	28½
Utd Biscuits	360	32	43	46	10½	18½	26
(*381)	390	14½	27½	30½	25½	34	42½
Option		Oct	Dec	Mar	Oct	Dec	Mar
Fisons	160	22	25½	28½	4½	9	12½
(*175)	180	8½	14	18	14	19½	23

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
Brit Aero	420	57	73	81½	21½	33	42
(*449)	460	36	54	63	40½	54	62½
BAT Inds	475	28	41	-	16	22½	-
(*480)	500	16	27½	31	30	35½	44
BTR	390	18	28	31	14	18	23
(*395)	420	6½	14	17	34	36½	40½
Brit Telecom	420	24	28	36½	12	18½	21½
(*426)	460	7½	12	18½	37½	43	45
Cadbury Sch	460	44½	53	59½	8	12	21
(*493)	500	20½	28½	37	25	29½	39½
Eastern Elec	500	41	48½	54½	6	15	18
(*525)	550	14	22	29½	33	39½	42½
Guinness	500	38½	38	49½	21½	27½	36½
(*509)	550	9	17	27	55	58½	68½
GEC	330	29	35	40	5½	10½	12½
(*347)	360	12	18	24	19½	24½	26½
Hanson	240	20½	24½	28	5½	9	11
(*256)	260	9½	14	16	14	18½	21
Lasmo	130	16½	21½	24½	8	11	14
(*136)	140	12	17	20	13½	16½	19
Lucas Inds	140	20½	24	26½	6	8½	11
(*154)	160	7½	13	15½	16½	19	21½
P & O	650	31½	48	55½	32	42½	55
(*656)	700	13½	27	34½	67½	73½	86
Pilkington	140	16½	21	23	4½	8½	10
(*151)	160	7½	11	14	14	19	21½
Prudential	330	17½	24	27½	13	17½	24
(*333)	360	6½	12	15	35½	37	42½
RTZ	650	65	81½	87½	8	14½	21
(*696)	700	31½	50	56½	26	33½	41
Redland	550	31	44	52	29½	36½	50
(*555)	600	12	24	31½	62	67	80½
Royal Insce	317	30½	38½	-	9	13½	-
(*338)	348	14½	23	-	24	27½	-
Scot & New	460	27	-	-	15	-	-
(*484)	500	9½	-	-	39½	-	-
Tesco	220	24½	31½	34½	6½	12½	15½
(*238)	240	12½	20½	23½	15½	22	25
Vodafone	550	42	54	64	22½	31½	37
(*562)	600	19	31	41	51½	60	64½
Williams	330	26	34½	38½	11½	15½	22
(*346)	360	11½	19½	24½	28	32	38
Option		Nov	Jan	Apr	Nov	Jan	Apr
BAA	750	57½	61½	78	14½	21½	26½
(*760)	800	27	35	49	36	45	50
Thames Wtr	500	51	53½	61½	5½	8½	12
(*540)	550	17½	22½	31½	26½	30	33
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	390	13	27½	35	7	18	24
(*394)	420	2½	13½	20½	28	33½	40
Amstrad	30	5½	7	8	1	2	2½
(*35)	35	2½	4	5	2½	4	5
Barclays	460	39½	54½	63	2½	9½	16½
(*495)	500	11½	29½	38	15	26	33½
Blue Circle	260	13	21½	30	6	17	21½
(*265)	280	4	12½	19½	18	29	33
British Gas	330	8½	16½	23	5½	16	19
(*331)	360	1	6½	11	29½	37	39
Dixons	220	15½	26	32½	5½	12½	17½
(*227)	240	5½	16	23	16½	23	27½

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel	420	50½	72½	-	5	21	-
(*460)	460	23	49½	-	19½	38	-
Glaxo	550	45	58	75	7	29	42
(*588)	600	15	34	52	29	55½	67½
Hillsdown	160	14½	21	25½	3	8½	11½
(*171)	180	4	10	16	12½	19½	23
Lonrho	120	11½	18	21½	2½	7	10½
(*128)	130	5½	13	18½	6½	11½	15
HSBC 75p shs	700	38½	63½	81½	14	32½	50½
(*725)	750	13	39½	59	41½	59½	76½
Natl Power	360	8	22	27½	8	15½	20½
(*360)	390	1½	9½	14½	31½	34½	38
Reuters	1500	53	108	143	24½	59	82
(*1525)	1550	24½	78	115	51	84	105
Rolls-Royce	140	19½	23½	27	1	6½	9
(*156)	160	5½	12½	17½	8	16	18½
Scot Power	350	9	21½	-	6	12	-
(*352)	390	1	6	10	39	39½	42
Sears	110	8	11½	14½	2	5	6
(*115)	120	2½	6	8½	8	10½	11½
Forte	220	16½	24	30½	3	10½	14½
(*232)	240	5	13½	21	12½	21	25
Tarmac	140	11½	17	22	3½	11½	14½
(*147)	160	3	8½	13½	15½	23½	26½
Thorn EMI	950	36	66	79	9½	25½	37½
(*971)	1000	10½	38½	53½	35½	51	63
TSB	200	9	17½	22	4½	10	14½
(*204)	220	2	9	13	17½	22	26
Tomkins	220	17½	27	31½	2½	8	11½
(*233)	240	5½	16	21½	11	17	21½
Vaal Reefs	70	9	16	-	4½	10	-
(*$73)	80	4½	11½	-	10½	15½	-
Wellcome	700	55	78	95½	6½	29	38½
(*745)	750	22	49½	68½	25½	53	63

EURO FT-SE INDEX (*3057)

	2875	2925	2975	3025	3075	3125	3175	3225
CALLS								
Aug	201	151	101	51	½	½	-	-
Sep	200	153	109	69	40	79	8	3
Oct	-	176	-	91	70	-	-	-
Dec	-	209	-	139	-	83	-	43
Mar †	-	247	-	182	-	128	-	84
Jun †	-	277	-	215	-	163	-	120
PUTS								
Aug	½	½	½	½	½	51	-	-
Sep	5	8	13	24	45	75	114	156
Oct	-	18	-	42	55	-	-	-
Dec	-	-	-	68	-	110	-	-
Mar †	-	-	-	-	-	142	-	195

FT-SE INDEX (*3057)

	2850	2900	2950	3000	3050	3100	3150	3200
CALLS								
Aug	226	176	126	76	26	½	½	½
Sep	226	178	132	88	53	28	12	5
Oct	-	-	-	108	73	50	30	21
Nov	-	-	171	-	-	-	51	37
Dec †	-	236	-	153	-	89	-	50
PUTS								
Aug	½	½	½	½	½	26	76	126
Sep	4	6	9	19	34	62	98	143
Oct	-	16	21	34	52½	70	-	-
Nov	17	-	36	50	73	87	-	-
Dec †	-	36	-	63	-	103	-	168

August 20 Total Contracts 28,570
Calls 19,595 Puts 8,975
FT-SE Index Calls 3,085 Puts 3,238
Euro FT-SE Calls 1,909 Puts 1,937
*Underlying security price. †Long dated expiry mths.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	33	HSBC (75p shs)	54	Ratners	4	Brit Land	33
Allied-Lyons	45	Charter Cons.	55	Hanson	17	Reed Intl	52	Land Sec.	53
Amstrad	3½	Comm Union	46	ICI	45	Sears	7½	MEPC	37
Astec (BSR)	3½	Courtaulds	42	Ladbroke	15	SmKl Bchm A	34	■ OILS	
BAT Inds	39	Eurotunnel	40	Legal & Gen	38	TI	28	Arcon Intl.	6
BOC	49	FKI	12	Lex Service	34	TSB	15	Aviva Pet	9
BT	28	FNFC	9	Lloyds Bank	45	Tesco	17	BP	23
BTR	28	Forte	17	Lonrho	10½	Thorn EMI	75	Burmah Castrol	60
Barclays	38	GKN	40	Lucas Inds	12	Tomkins	18	Premier Cons	2½
Blue Circle	21	Gen Accident	52	Marks Spencer	27	T & N	16	Shell	46
Boots	40	GEC	25	NatWest Bank	28	Unilever	72	■ MINES	
Bowater	37	Glaxo	40	P & O Dfd	50	Vickers	12	RTZ	52
Brit Aerospace	28	Grand Met	36	Racal Elect	20	Wellcome	52		
British Steel	10	GRE	17	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Year ago	*High	*Low
Govt Secs (UK)	101.77	102.07	102.38	102.31	102.10	88.43	102.38	93.28
Fixed Interest	124.27	124.51	124.54	124.23	123.81	105.15	124.54	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.54 (18/8/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Aug 19	101.2	106.6
Aug 18	110.9	112.7
Aug 17	103.5	118.8
Aug 16	99.8	121.6
Aug 13	117.4	126.4

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Producer scheme fuels coffee rally

IT WAS all systems go again on the coffee market during the first half of this week as news that African producers had agreed to join their Latin American counterparts' scheme to curb exports lent fresh buoyancy to prices.

The November position on the London Commodity Exchange climbed $98 from last Friday's close to peak on Wednesday at $1,220 a tonne, up $253 from a month earlier. The market had become overbought in the process and profit-taking trimmed the price to $1,201 at yesterday's close; but sentiment remained bullish and traders said there was scope for a further substantial retracement without breaking the uptrend.

The co-operation of the 25 members of the Inter-African Coffee Organisation means that the scheme to withhold 20 per cent of production from the export market, which is due to come into operation on October 1, should, if faithfully adhered to, result in about 10m bags (60kg each) being retained in producing countries during the 1993-94 crop year. Based on estimates by London trade house E.D. & F. Man that would be equivalent to nearly 14 per cent of annual world demand and about half the present level of consumer stocks.

The producers' scheme is designed to fill the gap left by the collapse in 1989 of the International Coffee Organisation's export quota system, following which world coffee prices plunged by about 60 per cent. After repeated failures, attempts to revive the ICO pact, in which consuming countries were involved as well as producers, were abandoned in March and producers decided that self-help was their only remaining option.

The retention scheme was greeted initially with considerable scepticism, but international traders have gradually come to believe in the producers' determination to make it work. Whether determination will prove to be enough is another matter, however. Financing the holding of such large stocks will impose a heavy burden on cash-strapped African governments; and policing the scheme is bound to present problems.

One delegate at this week's IACO meeting in Kampala commented: "Commodity pacts have had a high failure rate in the past. . . The retention scheme is a temporary solution, with problems of sustainability".

The London cocoa market also put in a strong performance this week, though the real scale of the rise was partially obscured by sterling's rise against the US dollar. The December futures contract at the LCE reached a 20-month peak of £792 a tonne before closing yesterday at £779 a tonne, up £18 on the week, but the rise might have been £26 larger had it not been for the currency factor. Manufacturer buying interest was noted in the London market on Monday, but the main power behind the rise came from the New York market, where speculators succeeded on Wednesday in breaking through determined resistance at $1,017 a tonne for December futures.

At the London Metal Exchange signs of an easing in the nearby supply tightness that has been distorting the market for some time allowed the three months position to test support around the $1,900-a-tonne mark. The support held, but only just; every day the three months position traded below that level (the lowest being $1,890 on Thursday) but only Wednesday saw a sub-$1,900 closing price. Yesterday three months metal closed at $1,904.50 a tonne, up $1.50 on the week, while its discount against cash metal (a reflection of the technical tightness) had narrowed since last Friday from £40 to $33 a tonne.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-925	to 2,021,450
Copper	+11,050	to 497,450
Lead	+3,400	to 279,575
Nickel	+606	to 105,030
Zinc	+7,750	to 745,800
Tin	-65	to 21,365

Nickel fared less well. Continued trade hedging of Russian material pushed the three months price to a fresh 6-year low of $4,620 a tonne in mid-week before short-covering reversed the trend. The "correction" carried the price to $4,825 yesterday morning before it subsided to close at $4,742.50 a tonne, down $85 on the week.

The long-rumoured announcement of a cut in aluminium output by Reynolds Metals, the second-biggest US producer, finally arrived this week, but it did little for market sentiment. Reynolds said it would close temporarily another 88,000 tonnes of annual capacity because of the worldwide supply/demand imbalance that has been weighing on the market. A slight price rally ensued, but that had as much to do with fears that a train drivers strike might force the closure of Romania's 263,000-tonnes-a-year Alro smelter.

The market's resumption of its downward course was hastened, however, by the revelation that Alro was only operating at a rate of 110,000 tonnes a year.

The price continued to sink until determined defence emerged at the $1,170-a-tonne mark to counter selling by speculators who were reported to be trying to trigger US investment fund liquidation by breaching that key chart level. The defenders succeeded in repelling the onslaught and the three months price ended the week at $1,173.50 a tonne, down $33.75 on balance.

Gold moved towards the upper end of its recent narrow trading range this week, but never seriously threatened to break into higher ground. The re-emergence of US investment fund buying lifted the London bullion market price by $5 to $373.75 a troy ounce on Monday and at yesterday's close it stood at $373.25 an ounce.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Aug 20	Day's change %	Thu Aug 19	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.92		128.92	1.85	7.40
2	5-15 years (23)	154.68	-0.12	155.37	1.52	9.10
3	Over 15 years (9)	174.01	-0.20	174.37	1.65	7.82
4	Irredeemables (6)	205.14	-0.18	205.51	3.33	7.35
5	All stocks (63)	150.54	-0.10	150.93	1.88	8.37
	Index-Linked					
6	Up to 5 years (2)	186.03	+0.03	185.98	0.37	3.41
7	Over 5 years (11)	180.29	-0.27	180.78	0.68	3.42
8	All stocks (13)	180.01	-0.24	180.43	0.65	3.41
9	Debs & Loans (65)	142.09	-0.66	143.03	1.66	7.62

AVERAGE GROSS REDEMPTION YIELDS

			Fri Aug 20	Thu Aug 19	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	6.47	6.44	8.66	7.22	29/4	6.33	19/2
2	Coupons	15 years	7.18	7.15	8.88	8.37	12/1	7.09	18/8
3	(0%-7¾%)	20 years	7.29	7.26	8.88	8.64	20/1	7.21	18/8
4	Medium	5 years	6.57	6.53	9.47	7.56	11/1	6.45	17/8
5	Coupons	15 years	7.33	7.30	9.09	8.83	19/1	7.23	17/8
6	(8%-10¾%)	20 years	7.40	7.37	9.02	9.05	20/1	7.32	18/8
7	High	5 years	6.76	6.74	9.70	7.78	11/1	6.64	17/8
8	Coupons	15 years	7.54	7.53	9.28	9.11	20/1	7.46	18/8
9	(11%-)	20 years	7.56	7.55	9.18	9.20	20/1	7.48	18/8
10	Irredeemables(Flat Yield)		7.41	7.39	9.13	9.05	20/1	7.36	18/8
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	2.63	2.62	4.33	3.03	25/5	1.82	12/2
12	Inflation rate 5%	Over 5 yrs.	3.30	3.27	4.57	3.89	14/1	3.27	18/8
13	Inflation rate 10%	Up to 5 yrs.	1.81	1.79	3.55	2.31	17/6	0.92	12/2
14	Inflation rate 10%	Over 5 yrs.	3.11	3.09	4.38	3.72	14/1	3.08	18/8
15	Debs &	5 years	7.88	7.80	10.68	8.97	4/1	8.41	18/3
16	Loans	15 years	8.22	8.14	10.38	9.94	19/1	9.14	10/3
17		25 years	8.33	8.27	10.24	10.10	19/1	9.38	10/3

Saab-Scania blamed for 80% slide at Investor

By Christopher Brown-Humes in Stockholm

INVESTOR, the main holding company of Sweden's powerful Wallenberg family, yesterday blamed a worse performance from Saab-Scania, its vehicle and aerospace arm, and lower capital gains, for an 80 per cent drop in first-half profits after financial items, to SKr406m ($51m).

Capital gains were SKr1bn less than a year ago, at SKr986m, while Saab-Scania's profits fell to SKr581m from SKr1.17bn following weak demand for many of its key products, including trucks, buses and aircraft.

Investor says it expects Saab-Scania's full-year profits to be "significantly lower" than 1992's SKr2.13bn. However, it did not give a forecast for the group result.

All Saab-Scania's business areas reported lower income, except Saab-Scania Finance. Group sales fell 5 per cent to SKr13bn, while order bookings tumbled to SKr12.3bn from SKr23.3bn.

Sales of trucks and buses fell to SKr8.19bn from SKr8.38bn, as the number of units sold dropped to 12,400 from 15,000.

Although Saab Aircraft sales were unchanged at SKr1.77bn, new orders contracted sharply to SKr1.1bn from SKr12.0bn.

Saab-Scania is a half owner in Saab Automobile, which earlier reported a SKr684m loss after financial items for the first half.

It is also the leading member of the consortium manufacturing the JAS 39 Gripen multi-role fighter jet.

It says it faced extra costs following the spectacular crash of one of the aircraft in central Stockholm two weeks ago, but hoped to have made the necessary changes to the steering system – which has been blamed for the disaster – within a month.

Investor said the value of its strategic investment portfolio, which includes stakes in Swedish blue chips Astra, Ericsson, and Stora, amounted to SKr21.6bn at June 30. This represents an underlying 6 per cent increase in value since the start of the year, well below the overall 19 per cent increase in the stock market.

Group net worth has fallen to SKr25.4bn from SKr32.4bn since the year end, primarily because of the fall in Saab-Scania's earnings.

Finnish bank plans FM1bn equity issue

By Christopher Brown-Humes

KANSALLIS-Osake-Pankki, Finland's leading commercial bank, is preparing an international share issue worth up to FM1bn ($173m) as part of plans to raise almost FM3bn in new capital.

The bank has already raised FM1.25bn from share and bond issues this year, but says more funds are needed to withstand expected losses in 1993 and 1994.

The aim is to have a capital adequacy ratio of around 10 or 11 per cent, well above the 8 per cent international minimum, by 1995, when the bank expects to return to the black.

In February it said it was looking to raise FM3bn through share and bond issues to avoid having to call on direct state support. It now wants to launch an additional share issue.

Interest from international investors is said to be strong following evidence of improving fortunes in the entire Finnish banking sector. During the past 12 months, KOP's share price has doubled to FM16.50.

The aim is to launch the international share issue in the autumn, while making preference capital and perpetual debt issues worth up to FM1.8bn over the next 18 months. The capital note and bond offers, which will primarily be targetted at the US market, will be backed by a state guarantee.

KOP's loss before provisions and taxes deepened to FM626m from FM527m in the first four months. However, it still hopes to halve its FM3.7bn 1992 loss over the full year.

● Gambro, the Swedish medical equipment maker, said yesterday first-half pre-tax profits rose 25 per cent, to SKr495m ($62.18m) from SKr396m a year earlier.

Although sales climbed 42 per cent to SKr4.33bn from SKr3.05bn, the rise would only have been 10 per cent without the effect of acquisitions and the depreciation of the krona.

The group said it expected its earnings trend to remain favourable over the rest of the year. Last year's pre-tax income amounted to SKr753m.

Theme park closure talk dismissed by Disney

By Alice Rawsthorn in Paris

MR Michael Eisner, chairman of Walt Disney, the US entertainment and leisure group, has dismissed as "ridiculous" speculation that EuroDisneyland, the French theme park, may be forced to close because of financial problems.

Euro Disney, the park's operator, which is 49 per cent-owned by Disney, is in severe financial difficulty. It is negotiating with banks to restructure its finances, and is dependent on its US parent company for financial support until those discussions are completed.

Mr Eisner, speaking in an interview with Variety, the US entertainment magazine, said EuroDisneyland, the most expensive leisure attraction ever built in Europe, had been "monumentally successful with the consumer" since its opening in April last year.

He denied press speculation that the group was considering either closing EuroDisneyland, or moth-balling the park during the slack winter season.

Mr Eisner said Euro Disney's losses – which reached FFr1.08bn ($183m) in its last financial year and are expected to rise to FFr2bn this year – were not "a tremendous loss" to the Disney group. "We'd do it all over again," he said.

However, the Disney chairman's comments failed to calm investors' nerves.

Euro Disney's share price slipped from FFr57 to FFr56.80 yesterday, having already fallen sharply from FFr65.25 at the start of the week.

EuroDisneyland has been beset by problems ever since its opening.

It attracted more than 11m visitors in its first year – becoming the second most popular attraction in France after Notre Dame cathedral – but has fallen well below target in terms of merchandise sales, catering revenue and hotel occupancy.

These problems have been aggravated by the burden of servicing Euro Disney's debt, which now stands at more than FFr21bn.

Because of this, Euro Disney has been left with serious cash flow difficulties. The group last month confirmed it had been forced to delay plans to build a second theme park and to ask Disney for support while it tried to restructure its finances.

China Resources steps from the shadows

Simon Davies looks at the 1997 ambitions of a large but quiet mainland conglomerate

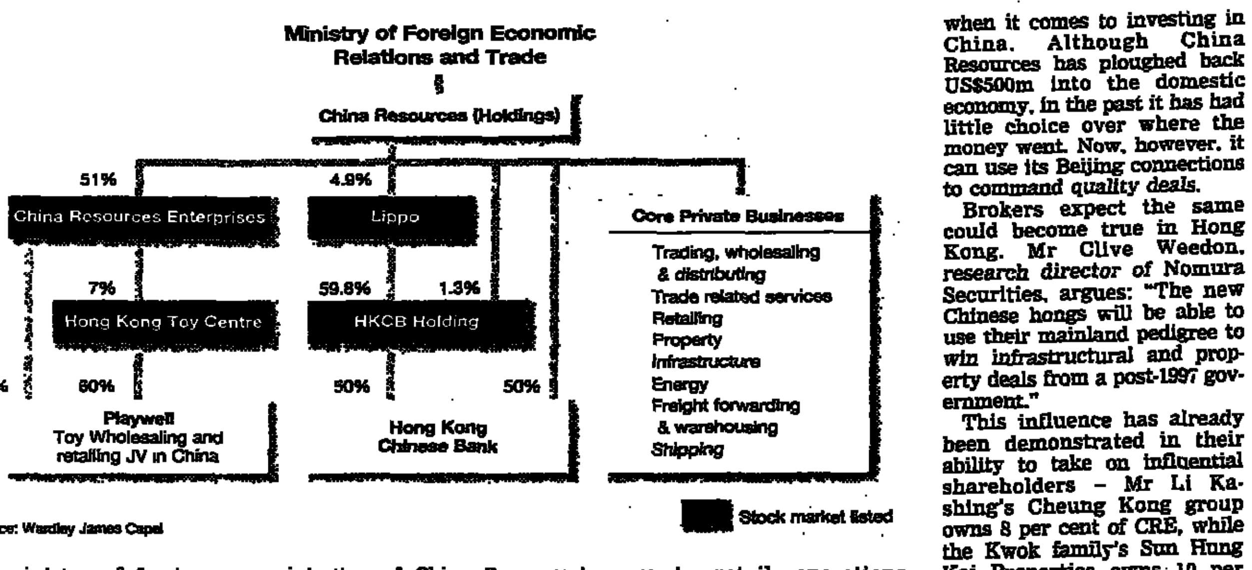
As mainland companies jockey for control and influence in Hong Kong in the lead-up to 1997, China Resources is emerging as a strong candidate to fill any corporate power vacuum that might be left after the hand-over.

For a group which has been in Hong Kong for 45 years, China Resources' profile has been virtually invisible. And this is despite its 10,000 employees and a handful of monopoly trading businesses. It is now making a determined effort to compete more openly.

The group has a spread of businesses similar to that of the giant Jardine Matheson group, covering trading, retailing, property development, hotels and infrastructure. It also has investments in energy and transportation.

Mr Frank Ning, managing director of China Resources Enterprises (CRE), the group's main stock market-listed arm, said the parent company had assets of HK$45bn (US$5.8bn) and achieved group turnover of HK$60bn last year.

China Resources' current focus is on developing an efficient and competitive listed empire, to help complete its evolution from over-staffed bureaucracy to powerful corporate entity. Mr Ning admits: "Before we didn't have to operate like a company, we operated like a government department. We must try to adapt ourselves to the new environment, otherwise the bureaucracy will kill this company."



Source: Wardley James Capel

China Resources is owned by the ministry of foreign economic relations and trade, and its former role was as a tool of China's economic policy. However, Mr Ning claims the group is now more independent of its parent than many other listed Chinese companies.

It may not be easy for the group to adapt. "It is a different working environment. You can call it freedom, or you can call it pressure," said the 35-year old Mr Ning, one of the numerous US-educated mainlanders emerging on Hong Kong's corporate scene.

CRE came into being when China Resources purchased a minority stake in Winland Investment, a shell company, in 1986. Over the past 12 months, following the rapid injection of China Resources' existing Hong Kong businesses, CRE's stock market capitalisation has jumped from HK$300m to HK$3.2bn.

The group has one significant advantage over the other key Chinese investor in Hong Kong, Citic Pacific. It has long-term experience of operating businesses and building assets, rather than just trading investments.

The three businesses China Resources is currently considering selling to its listed company are: Ng Fung Hong, the monopoly importer of livestock from China; China Resources Petroleum, the monopoly importer of petroleum products; and the group's retail operations, which have a substantial percentage of the market for Chinese arts and crafts.

These have all been built up with the support of the state, and are now so strongly established that competition would be prohibitively expensive. The group should therefore benefit from the loosening of government controls, even though they come at the cost of guaranteed monopolistic privileges.

However, it is not the existing businesses which are attracting investors to CRE, or any other so-called "red-chip", mainland-controlled companies. It is the anticipation of political leverage after 1997.

These companies already have undoubted advantages when it comes to investing in China. Although China Resources has ploughed back US$500m into the domestic economy, in the past it has had little choice over where the money went. Now, however, it can use its Beijing connections to command quality deals.

Brokers expect the same could become true in Hong Kong. Mr Clive Weedon, research director of Nomura Securities, argues: "The new Chinese hongs will be able to use their mainland pedigree to win infrastructural and property deals from a post-1997 government."

This influence has already been demonstrated in their ability to take on influential shareholders – Mr Li Ka-shing's Cheung Kong group owns 8 per cent of CRE, while the Kwok family's Sun Hung Kai Properties owns 10 per cent – and to do business with the territory's leading tycoons.

The group purchased 50 per cent of the Hong Kong Chinese Bank from the Indonesian Lippo Group. It has acquired 10 per cent of the colony's leading port operator, Hong Kong International Terminals, and a 51 per cent stake in a 6.7m sq ft property development with Mr Li Ka-shing.

In a city where connections are crucial, this is an advantage. However, the strength – and real test – of this advantage will ultimately depend on an ability to run these businesses as successfully along the lines of the established houses of Jardine, Swire, Hutchison and World.

Alcatel takes control of Turkish telecoms group

By John Murray Brown in Ankara

ALCATEL of France has taken control of Telekomunikasyon Endustri Ticaret (Teletas) of Turkey by buying the government's 18 per cent shareholding for $20m.

The purchase gives Alcatel, Europe's largest telecommunications equipment maker, 65 per cent of Teletas, Turkey's second largest telecoms producer.

Teletas has a 40 per cent share of the Turkish market in big digital switches, and is the only transmission equipment maker in Turkey.

The company has recently established joint ventures to supply public exchanges in Kazakhstan, Uzbekistan and Azerbaijan.

In 1984 Alcatel bought 39 per cent of the company from PTT, the state post and telecommunications monopoly. Last month, it acquired 8 per cent from Teletas minority shareholders, the construction company STFA, and Ray Insurance.

The decision to buy a controlling stake reflects Alcatel's strategy of expanding its position in the region. For the Turkish government, the deal marks a further government withdrawal from the telecommunications sector.

Separately, the cabinet has approved legal changes to PTT ahead of the creation of a separate telecoms group. A planned global share offering of 15 per cent of this company could raise up to $2bn.

The postal company will retain up to 49 per cent of the new telecom concern.

The government is understood to be considering a regionalisation of the PTT units before selling them.

Weaker won boosts Korean electronics

SOUTH Korea's three main electronics companies have reported sharply higher sales and profits for the first half of 1993, writes John Burton in Seoul.

The buoyant results reflect increased exports as the companies benefited from the depreciation of the Korean won against the Japanese yen.

Total export sales for the three companies rose 52 per cent, while domestic sales rose 7 per cent.

Samsung Electronics reported a 81 per cent jump in net earnings to Won56.2bn ($70.6m). Sales climbed 32 per cent to 2,850bn.

Goldstar's net profits rose 441 per cent to Won30bn, on sales of Won2,040bn. Its leading exports were televisions, VCRs and air conditioners.

Daewoo Electronics had net profits of Won13.6bn, up 21 per cent, on sales of Won805bn.

Improved margins help lift NZ publisher 34%

By Terry Hall in Wellington

INDEPENDENT Newspapers, New Zealand's biggest publishing group, yesterday reported a 34.3 per cent rise in after-tax profits, to NZ$41.16m (US$22.9m) for the year ended June 30.

Mr Alan Burnet, chairman, said the group, which publishes papers in New Zealand, Australia and the US and is 51 per cent-owned by News Corporation, was planning for continuing strong growth.

Turnover rose 4.4 per cent, to NZ$965.6m, and operating profit before abnormal items and tax was up 26.4 per cent to NZ$73m.

Mr Burnet said profit margins widened to 7.6 per cent from 6.1 per cent last year. This followed an upturn at the Gordon and Gotch advertising business, and the introduction of new technology in newspaper publishing.

He said the company was buying the 127-year-old paper, The Nelson Evening Mail.

The deal would consolidate its position as New Zealand's biggest publishing company.

● Natural Gas Corp, the big gas utility, reports an after-tax profit of NZ$17.8m for the year ended June. The result is 19 per cent ahead of the prospectus forecast given when the company was floated last September.

The company is controlled by Fletcher Challenge and the Australian Gas Light Company.

Mr Bill Falconer, chairman, attributed the result to higher growth rates in residential sales, lower interest rates, reduced operating costs, and improved contributions from equity profits.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$373.25	+4.5	$337.45	$405.75	$326.05
Silver Per troy oz	316.75p	+0.25	192.90p	537.50p	236 00p
Aluminium 99.7% (cash)	$1151.0	-33.5	$1295 0	$1240.00	$1108.00
Copper Grade A (cash)	$1937.5	-5.5	£1318.5	$2375.00	$1108.50
Lead(cash)	$391.0	+5.5	£332	$460.00	$376.50
Nickel (cash)	$4690	-85	$7252 5	$6340	$4690
Zinc SHG (cash)	$889.0	+9.5	$1364.0	$1112	$868.0
Tin (cash)	$4862.5	+50.0	$6787 5	$6047.5	$4812.5
Cocoa Futures (Dec)	£779	+18	£641	£779	£663
Coffee Futures (Nov)	$1202	+80	$752	$1202	$836
Sugar (LDP Raw)	$243.1	-2.6	$255.0	$317.4	$204.5
Barley Futures (Nov)	£102.80	-0.65	£113.00	£110.30	£101.50
Wheat Futures (Nov)	£106.50	-0.20	£115.80	£149.45	£105.75
Cotton Outlook A Index	54.90c	+0.30	58.30	82.35c	54.60c
Wool (64s Super)	335p	-16	372p	403p	335p
Oil (Brent Blend)	$16.985x		$19.775	$19.53	$16.48

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Oct.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.75-4.78u	+0 05
Brent Blend (dated)	$16.86-6.87u	+.036
Brent Blend (Oct)	$16.98-6.99	+.055
W.T.I (1 pm est)	$18.20-8.23u	+.105
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$191-193	
Gas Oil	$163-164	
Heavy Fuel Oil	$61-62	
Naphtha	$160-162	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.25	+0.25
Silver (per troy oz)♣	479.00c	+7.00
Platinum (per troy oz)	$385.60	-7.9
Palladium (per troy oz)	$136.75	-1.75
Copper (US Producer)	90.50c	+0.50
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.20m	
Tin (New York)	223.0c	
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	131.93p	+1.11*
Sheep (live weight)†♠	89.79p	+2.04*
Pigs (live weight)†	71.35p	+2.71*
London daily sugar (raw)	$243.1	-0.4
London daily sugar (white)	$291.0	-3.6
Tate and Lyle export price	£271.5	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)♥	58.75p	
Rubber (Oct)♥	59.75p	
Rubber (KL RSS No 1 Jul)	211.5m	
Coconut oil (Philippines)§	$452.5v	+2.5
Palm Oil (Malaysian)§	$357.5u	+5.0
Copra (Philippines)§	$289.0	
Soyabeans (US)	195.0	+2.5
Cotton "A" Index	54.90	-0.05
Woollops (64s Super)	335p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug.v-Sep/Oct u-Sep t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

COCOA - LCE	Close	Previous	High/Low	£/tonne
Sep	759	763	766	755
Dec	779	787	788	778
Mar	799	805	806	797
May	809	816	815	810
Jul	818	825	824	818
Sep	827	834	835	829
Dec	840		843	

Turnover: 3795 (5338) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 19 797.59 (797.99) 10 day average for Aug 20 757.17 (752.23)

COFFEE - LCE	Close	Previous	High/Low	$/tonne
Sep	1230	1243	1237	1220
Nov	1202	1212	1210	1190
Jan	1177	1189	1185	1176
Mar	1161	1169	1165	1159
May	1155	1158	1157	1154
Jul	1150		1147	

Turnover: 1902 (4046) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 19 Comp. daily 67.35 (67.50) 15 day average 66.23 (65.93)

POTATOES - LCE	Close	Previous	High/Low	£/tonne
Apr	76.7	77.4	77.0	76.2

Turnover 56 (34) lots of 20 tonnes.

SOYAMEAL - LCE	Close	Previous	High/Low	£/tonne
Oct	-	-		

Turnover 0 (0) lots of 20 tonnes.

FREIGHT - LCE	Close	Previous	High/Low	$10/index point
Aug	1456	1460	1465	1455
Sep	1475	1490	1490	1475
Oct	1490	1505	1505	1485
Nov	1505	1523	1505	
Jan	1510	1525	1515	1510
Apr	1535	1548	1540	
BFI	1450	1435		

Turnover 290 (163)

GRAINS - LCE				£/tonne
Wheat	Close	Previous	High/Low	
Sep	105.20	104.95	105.20	105.10
Nov	106.50	106 25	106 50	
Jan	108.80	108.50	108 25	108 60
Mar	110.80		110 80	110.70
May	112.90	112.70	113 00	
Barley	Close	Previous	High/Low	
Sep	100.00	99.95	100.05	100.00
Jan	105 10	105 00	105 15	

Turnover Wheat 201 (293) Barley 9 (45)
Turnover lots of 100 Tonnes

PIGS - LCE	Close	Previous	High/Low	(Cash Settlement) p/kg
Sep	98.5		99 0	98.5
Mar	105 3		105.3	105.0

Turnover 3 (0) lots of 3,250 kg

SUGAR - LCE				($ per tonne)
White	Close	Previous	High/Low	
Oct	260.80	262.40	260.80	256.00
Dec	257.50	259.40	258.00	252.00
Mar	260.30	260 60	259 90	254.00
May	263.10		262.70	262.00
Aug	268.50		268.20	267 10

White 1709 (1598) Paris- White (FFr per tonne): Oct 1513.00 Dec 1498.39

CRUDE OIL - IPE	Latest	Previous	High/Low	$/barrel
Oct	17.04	16 96	17 05	16.90
Nov	17.21	17.15	17.21	17.10
Dec	17.34	17.30	17.34	17.28
Jan	17.46	17.40	17.49	17 41
Feb	17.55	17 54	17.61	17.53
Mar	17 09		17 69	
IPE Index	16 98	16 99		

Turnover 13329 (16197)

GAS OIL - IPE	Close	Previous	High/Low	$/tonne
Sep	162.25	162.00	163 00	162.00
Oct	164 50	164.25	165.00	164.25
Nov	166.25	166 00	166 50	166 25
Dec	168.50	168.25	168 75	168.25
Jan	169.75	169 75	170 00	169 75
Feb	169.50		169.75	169.50
Mar	168 00		168.50	168 00
Jun	164 00	164 00	164.25	164.00

Turnover 7713 (6495) lots of 100 tonnes

SPICES

The pepper market was very firm, reports Man Producten, with active trading for both black and white. Price rises were fuelled by strong overseas markets, while short covering in Cochin, combined with increased demand from Europe and the US caused offers for Malabar to explode. Muntok/Sarawak faq, spot whites were fetching US$2,375 a tonne, with July/August at $2,300. August/September $2,300, November/December $2,350 and January/February $2,400. Among the black peppers, Sarawak black label, spot was $1,400 a tonne and July/August $1,375, yellow label, spot $1,450, July/August $1,425

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 22,314 lots	
Cash	1150.5-1.5	1152-3		1154.5-5.5		
3 months	1173-4	1175-5.5	1180/1173	1176.5-7.0	1175-6	n/a lots
Copper, Grade A ($ per tonne)					Total daily turnover 48,325 lots	
Cash	1937-8	1930-2	1941/1934	1937-7.5		
3 months	1904-5	1900-1	1909/1899	1906.5-7.5	1907-8	n/a lots
Lead ($ per tonne)					Total daily turnover 3,958 lots	
Cash	390.5-1 5	387.5-8 5		388.5-7 5		
3 months	403-3.5	401-1.5	404/399	399.5-400.0	404-5	n/a lots
Nickel ($ per tonne)					Total daily turnover 4,487 lots	
Cash	4685-95	4675-85		4750-2		
3 months	4740-5	4730-5	4825/4715	4800-5	4710-5	n/a lots
Tin ($ per tonne)					Total daily turnover 2,579 lots	
Cash	4860-5	4800-10		4815-20		
3 months	4912-5	4850-60	4915/4865	4865-70	4885-95	n/a lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 25,393 lots	
Cash	888.5-9.5	880.5-1.5	875	885-5.5		
3 months	901-1.5	893 5-4.0	905/889	897-8	903-4	n/a lots

LME Closing £/$ rate:
SPOT: 1.5110 | 3 months: 1 5016 | 6 months: 1.4946 | 9 months: 1.4884

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	373.00-373.50	
Opening	371.00-371.40	
Morning fix	370.35	245.835
Afternoon fix	373.25	247.104
Day's high	373.50-374.00	
Day's low	369 75-370.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.60	6 months	2.55
2 months	2.58	12 months	2.59
3 months	2.56		

Silver fix	p/troy oz	US cts equiv
Spot	309.55	485.75
3 months	313.95	489.25
6 months	318.20	473.25
12 months	326 85	482 30

GOLD COINS	$ price	£ equivalent
Krugerrand	370.00-373.00	245.00-246.00
Maple leaf	383.60-386.05	-
New Sovereign	88 00-91.00	58.00-61.00

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
1150	106	105	54	78
1200	71	81	69	104
1250	51	64	99	137
Cocoa	Dec	Mar	Dec	Mar
725	126	74	23	20
750	109	52	31	23
775	94	44	41	40
Brent Crude	Oct	Nov	Oct	Nov
1700	29	65	30	50
1750	28	41	-	-
1800	5	26	-	-

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Aug	373.4	371.3	373.5	373.5
Sep	373.7	371.7	0	0
Oct	374.6	372.6	375.4	371.8
Dec	376.4	374.4	377.1	373.7
Feb	378.2	376.2	379.0	376.1
Apr	379.9	377.9	380.1	380.1
Jun	381.6	379.6	0	0
Aug	383.3	381.4	0	0
Oct	385.1	383.2	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Aug	388.9	385.3	0	0
Oct	387.9	386.3	390.0	385.5
Jan	389.1	387.7	390.5	386.5
Apr	390.1	388.7	391.0	389.0
Jul	391.1	389.7	392.5	392.5

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Aug	479.4	465.3	0	0
Sep	479.8	465.8	482.5	468.5
Oct	481.2	467.2	0	0
Dec	484.4	470.3	487.0	470.5
Jan	484.8	470.7	470.0	470.0
Mar	489.3	475.1	492.0	477.0
May	492.8	478.5	496.0	481.0
Jul	496.1	481.7	493.0	483.0
Sep	499.6	485.1	498.0	496.0
Dec	504.9	490.3	506.0	493.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	85.50	84 15	85.50	85.50
Sep	84.95	84.15	85.10	83.70
Oct	85.10	84.25	84 50	84.50
Nov	85.20	84.35	84.80	84.60
Dec	85.35	84.45	85.70	84.15
Jan	85.55	84 65	85.00	84.80
Feb	85.70	84 85	0	0
Mar	85.90	85.05	86.10	85.35
Apr	86.05	85.20	0	0
May	86.25	85.40	85.75	85.50

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Sep	18.00	17 65	18.02	17.53
Oct	18 32	18.15	18.32	18.09
Nov	18.60	18.45	18.60	18.40
Dec	18.77	18.66	18.77	18.60
Jan	18.87	18.82	18.88	18.80
Feb	18.96	18.96	19.01	18.93
Mar	19.08	19.08	19 08	19.04
Apr	19.16	19.16	19.16	19.16
May	19.24	19.24	0	0
Jun	19 31	19.31	19.31	19.31

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Sep	52.70	52.37	52.70	52.10
Oct	53.80	53.44	53.80	53.20
Nov	54.60	54.42	54.60	54.25
Dec	55.62	55.41	55.62	55.28
Jan	56.20	56.12	56.20	56.00
Feb	56.25	56.37	56.35	56.20
Mar	55.55	55.67	55.55	55.40
Apr	54.52	54.52	0	0
May	53.72	53.72	0	0
Jun	54.50	53.27	0	0

COCOA 10 tonnes;$/tonnes	Latest	Previous	High/Low	
Sep	979	979	980	965
Dec	1030	1029	1031	1012
Mar	1065	1064	1067	1049
May	1084	1082	1088	1076
Jul	1104	1102	0	0
Sep	1125	1121	1125	1115
Dec	1153	1149	0	0
Mar	1176	1172	0	0
May	1196	1192	0	0
Jul	1215	0	0	0

COFFEE "C" 37,500lbs; cents/lbs	Latest	Previous	High/Low	
Sep	72.45	72.20	72.90	71.70
Dec	74.95	75.05	75.70	74.60
Mar	77.30	77.30	77.80	76.90
May	78.40	78.25	78.90	78.50
Jul	80.50	80.15	80.60	79.80
Sep	82.00	80.20	82.00	82.00
Dec	83.50	84.05	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	9.12	9.39	9.23	8.90
Mar	9.39	9.49	9.45	9.20
May	9.56	9.60	9.56	9.36
Jul	9.63	9.69	9.64	9.45
Oct	9.69	9.73	9.50	9.42

COTTON 50,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	55.03	55.13	55.28	54.70
Dec	56.08	56.07	56.38	55.75
Mar	57.57	57.49	57.90	57.20
May	58.20	58.22	58.20	58.05
Jul	58.85	58.96	58.85	58.75
Oct	59.85	59.94	59.88	59.88
Dec	60.10	60.11	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	118.60	116.65	118.75	116.25
Nov	121.90	119.50	122.00	119.50
Jan	123.15	121.25	123.25	121.25
Mar	124.40	122.50	124.40	123.00
May	124.60	123.00	124.90	123.50
Jul	124.00	123.50	124.00	124.00
Sep	122.00	121.50	0	0
Nov	122.00	121.50	0	0
Jan	122.00	121.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Aug.20	Aug.19	mnth ago	yr ago
1616.0	1614.5	1707.1	1528.3

DOW JONES (Base: Dec. 31 1974 = 100)	Aug.19	Aug.18	mnth ago	yr ago
Spot	123.96	123.48	132.64	115.83
Futures	123.84	126.38	127.88	115.54

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Aug	663/4	665/0	669/0	663/4
Sep	667/6	664/6	672/0	663/4
Nov	668/2	663/0	672/0	662/4
Jan	674/0	668/6	677/0	668/4
Mar	677/4	672/4	680/4	672/0
May	680/0	674/4	681/0	673/0
Jul	681/0	675/0	683/0	674/0
Aug	678/0	671/0	678/0	672/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	23.46	23.30	23.47	23.34
Sep	23.48	23.30	23.53	23.32
Oct	23.62	23.44	23.66	23.47
Dec	23.85	23.65	23.90	23.69
Jan	23.96	23.75	24.00	23.81
Mar	24.12	23.87	24.12	23.95
May	24.20	23.93	24.20	24.02
Jul	24.25	23.90	24.25	24.07

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Aug	217.2	217.2	217.6	214.5
Sep	214.7	213.4	215.3	213.2
Oct	212.5	210.9	213.5	210.6
Dec	211.9	210.2	212.7	210.0
Jan	211.6	209.5	212.4	209.9
Mar	210.7	209.6	211.5	209.5
May	211.0	208.5	211.0	209.0
Jul	210.0	208.1	210.0	208.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Sep	238/6	237/6	239/0	236/0
Dec	243/2	243/2	245/0	242/2
Mar	250/6	250/2	252/0	249/4
May	255/6	255/0	256/2	254/0
Jul	258/0	257/0	258/4	256/4
Sep	251/0	250/0	251/0	250/0
Dec	244/0	242/2	244/2	242/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Sep	310/4	312/4	314/0	309/4
Dec	316/2	317/6	319/2	314/2
Mar	317/4	318/4	320/4	315/4
May	311/4	312/0	312/4	309/4
Jul	301/6	300/4	302/0	300/0
Sep	306/0	304/4	0	0
Dec	309/0	313/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	75.000	75.000	75.000	74.825
Oct	74.575	74.625	74.650	74.325
Dec	75.425	75.475	75.575	75.225
Feb	75.950	75.950	75.975	75.800
Apr	76.775	76.825	76.825	76.600
Jun	73.575	73.700	73.750	73.550
Aug	72.175	72.375	72.200	72.175

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Aug	51.225	50.725	51.250	50.875
Oct	45.775	45.925	46.300	45.625
Dec	46.075	45.925	46.300	45.700
Feb	45.600	45.450	45.700	45.300
Apr	44.400	44.325	44.425	44.100
Jun	49.250	49.400	49.500	49.200
Jul	48.150	48.325	48.350	48.150
Aug	46.800	46.800	46.950	0

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	41.050	41.500	41.725	39.950
Feb	48.500	48.700	48.850	47.850
Mar	48.200	48.200	48.400	47.825
May	48.800	48.900	49.050	48.400
Jul	50.200	50.300	0	50.200
Aug	48.700	48.700	0	49.000

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen rebounds against dollar

THE YEN performed strongly against the dollar in Friday's Asian and European trading despite the dramatic intervention by the US Federal Reserve in support of its currency the previous day, *writes James Blitz.*

The US authorities' intervention pushed the dollar to a high of Y106.70 at about 8 o'clock on Thursday evening in London. But the yen drifted up again afterwards, and, when Tokyo opened on Friday morning, profit taking had pushed the Japanese currency to a Tokyo close of around Y104.30.

The yen also gained from comments made by Mr Hirohisa Fujii, the Japanese trade minister, who said there was no bilateral agreement between his country and the US to counter the fall in the dollar/yen exchange rate.

European traders tried and failed to push the currency below the 104 level yesterday. But there was no further intervention from the US authorities when New York opened, and, at the close in London, the yen was at Y104.85 from a previous Y104.15.

The lack of intervention could not be read as any change of view in the US on the yen. Thursday had seen a classic demonstration of short-term currency intervention, but the US authorities would have lacked the element of surprise yesterday.

Mr David Cocker, chief economist at Chemical Bank, said that Monday's Tokyo trading would decide where, and how fast, the yen goes next. "Japanese exporters will mull over events at the weekend," he said. "They will be under pressure to sell dollars now in the belief that they may get fewer yen for them if they wait."

In Europe, the main focus was on comments by Mr Hans Tietmeyer, the Bundesbank's President-elect, who said that a strong D-Mark could hamper Germany's exporters.

Dealers have long been of the view that Mr Tietmeyer would take a softer approach to the need for a strong D-Mark than the current president, Mr Helmut Schlesinger. The comments led to a softening of the German currency across the board, although dealers may be mistaken if they think that the cut in German interest rates will come quickly.

The French franc closed at FFr3.478 against the D-Mark from a previous FFr3.495. The Danish krone was little changed on the day closing at around DKr4.0760 against the German currency.

Sterling was caught in tight ranges, little affected by trade figures which showed that Britain's visible trade gap with non-European Community countries widened in July. The pound ended down ¼ pfennig at DM2.5375. The dollar closed at DM1.6800 from a previous DM1.6865.

£ IN NEW YORK

Aug 20	Latest	Previous Close
£ Spot	1.5125-1.5135	1.5050 1.5060
1 month	0.36-0.35pm	0.36 0.35pm
3 months	1.02-1.00pm	1.02 1.00pm
12 months	2.90-2.80pm	2.90 2.80pm

Forward premiums and discounts apply to the US dollar

EXCHANGE CROSS RATES

Aug 20	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.662	1	1.680	104.9	5.842	1.478	1.889	1588	1.316	35.34	136.0	0.876
DM	0.394	0.595	1	62.45	3.478	0.880	1.125	945.6	0.784	21.04	80.97	0.522
YEN	6.309	9.533	16.01	1000.	55.70	14.09	18.01	15142	12.55	336.9	1297	8.353
F Fr.	1.133	1.712	2.875	179.5	10.	2.529	3.234	2719	2.253	60.49	232.8	1.500
S Fr.	0.448	0.677	1.137	70.98	3.953	1	1.279	1075	0.891	23.91	92.03	0.593
N Fl.	0.350	0.529	0.889	55.52	3.092	0.782	1	840.6	0.697	18.70	71.98	0.464
Lira	0.417	0.630	1.058	66.04	3.678	0.930	1.190	1000.	0.829	22.25	85.63	0.552
C $	0.503	0.760	1.276	79.69	4.438	1.123	1.435	1207	1	26.85	103.3	0.666
B Fr.	1.873	2.830	4.753	296.8	16.53	4.182	5.346	4494	3.725	100.	384.8	2.479
Pta	0.487	0.735	1.235	77.13	4.296	1.087	1.389	1168	0.968	25.99	100.	0.644
Ecu	0.755	1.141	1.917	119.7	6.668	1.687	2.156	1813	1.502	40.33	155.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5110	1.5074	1.5011	1.4941	1.4822
D-mark	2.5375	2.5367	2.5325	2.5275	2.5256
French Fr	8.8275	8.8290	8.8310	8.8326	8.8320
Swiss Fr	2.2325	2.2303	2.2262	2.2198	2.2059
Yen	158.50	158.10	157.34	156.37	154.49

FINANCIAL FUTURES AND OPTIONS

8% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev
Sep	97.08	97.19	96.98	97.23
Dec	97.22	97.31	97.15	97.37

Estimated volume 70801 (59653)
Previous day's open int. 188020 (192548)

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL) DM250,000 100ths of 100%

	Close	High	Low	Prev
Sep	100.38	100.40	100.28	100.41
Dec	100.50			100.55

Estimated volume 1187 (1295)
Previous day's open int. 16984 (17016)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	110.30	110.34	110.11
Dec	109.54	109.61	109.36

Estimated volume 2951 (3294)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Sep	110.85	111.14	110.05	111.27
Dec	110.51	110.80	109.80	111.00

Estimated volume 45484 (35028)
Previous day's open int. 69520 (66139)

10% NOTIONAL SPANISH GOVT. BOND (BONOS) Pta 20m 100ths of 100%

	Close	High	Low	Prev.
Sep	103.00			103.00

Estimated volume 0 (0)
Previous day's open int. 11 (11)

CHICAGO

U.S. TREASURY BONDS (CBT)

	Latest	High	Low	Prev
Sep	116-13	116-26	116-06	116-18
Dec	115-05	115-19	114-30	115-11
Mar	113-27	114-12	113-26	114-07
Jun	113-03	113-03	112-26	113-06
Sep	112-02	112-02	111-30	112-08
Dec	111-24	111-24	111-24	112-01
Mar	-	-	-	111-11
Jun	-	-	-	110-22
Sep	-	-	-	110-04
Dec	-	-	-	109-20

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	96.99	97.00	96.98	97.00
Dec	96.83	96.86	96.82	96.85
Mar	96.71	96.74	96.71	96.73
Jun	-	-	-	96.51

BRITISH POUND (IMM) $s per £

	Latest	High	Low	Prev
Sep	1.5112	1.5120	1.4980	1.5014
Dec	1.5000	1.5026	1.4940	1.4922
Mar	-	-	-	1.4854

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6762	0.6772	0.6693	0.6712
Dec	0.6747	0.6749	0.6680	0.6691
Mar	-	-	-	0.6681

JAPANESE YEN (IMM)

	Latest	High	Low	Prev
Sep	0.9543	0.9577	0.9430	0.9425
Dec	0.9550	0.9575	0.9500	0.9433
Mar	0.9550	0.9550	0.9530	0.9454
Jun	-	-	-	0.9476

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev
Sep	0.5942	0.5949	0.5890	0.5905
Dec	0.5903	0.5903	0.5860	0.5858
Mar	0.5865	0.5865	0.5831	0.5823
Jun	-	-	-	0.5797

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	96.73	96.74	96.72	96.73
Dec	96.40	96.44	96.38	96.43
Mar	96.36	96.40	96.34	96.39
Jun	96.12	96.15	96.10	96.14
Sep	95.82	95.85	95.81	95.85
Dec	95.38	95.42	95.38	95.41
Mar	95.29	95.30	95.28	95.31
Jun	95.07	95.08	95.06	95.09

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev
Sep	455.65	456.50	455.40	456.60
Dec	456.40	457.20	456.20	457.40
Mar	-	-	-	458.35
Jun	-	-	-	459.30

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.425	7.72	7.85	8.12	8.23	0.07	0.57	1.04	1.61
1.450	5.48	5.94	6.29	6.56	0.21	1.04	1.69	2.36
1.475	3.89	4.22	4.69	5.04	0.61	1.60	2.56	3.27
1.500	1.90	2.81	3.37	3.77	1.64	2.86	3.72	4.47

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
120	2.17	-	-	0.01	0.50	-
121	1.17	-	-	0.02	0.81	-
122	0.35	1.08	-	0.16	1.29	-
123	0.06	0.67	-	0.88	-	-
124	-	0.37	2.15	-	-	-
Open Int	102,478	139,584	23,270	240,021	106,985	15,993

Estimated volume 47,466 † Total Open Interest 628,332
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5110	1.5074	1.5011	1.4941	1.4822

MONEY MARKETS

Caution on sterling

DEALERS in the sterling interest rates market ended the week taking a rather less optimistic view about a near-term cut in UK base rates than they had at the start of it, *writes James Blitz.*

Last Monday, the December short sterling contract was still above the 94.75 level, pricing at least ¾ of a percentage point off base rates by the end of the year.

But several events brought the contract down to a close last night of 94.56, a level which assumes that 3 month money will be at 5.44 per cent by the year's end.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The most important trigger for the downturn were bearish comments from Mr Michael Portillo, the chief secretary to the Treasury, who said on Wednesday that he did not want to lead people to think there would be a near-term easing in monetary policy.

But sentiment about a rate cut has also been eroded by the speed of rate cutting in Europe. This has been slower than was expected when the exchange rate mechanism's currency fluctuation bands were widened. France has still not reduced any of its main official interest rates.

However, some dealers think that the December contract is now fairly priced. This week's retail sales figures showed a slight fall in July and uncertainty remains about the pace of recovery in the UK. "There are so many sales on in the west end that I would be astonished if there were no cut in rates by the end of the year," said a dealer at a leading London house.

Three month sterling cash has sat doggedly at 5⅞ per cent all week. But the 6 and 12 month deposit rates have risen on the week, with the former closing at 5 15/32 per cent last night and the latter nearly at 5⅝ per cent.

There was a shortage of £1.3bn in the discount market and late assistance of £3.9m.

French franc futures have risen strongly this week amid two cuts in the overnight rate by the Bank of France. The September French franc contract closed up 11 basis points yesterday at 93.27 and the December contract was up 3 at 93.31.

The effects of summer tax payments were finally making themselves felt on German call money, which rose well above the Bundesbank's repo rate level of 6.80 per cent yesterday. Call money was quoted at 6.92 per cent yesterday, having been well below the repo rate level earlier in the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 20)	3 months US dollars	6 months US Dollars	
bid 3⅛	offer 3¼	bid 3 5/16	offer 3 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.62	Three year	4.30
Broker loan rate	5	Two month	2.92	Five year	4.95
Fed.funds	2 15/16	Three month	3.04	Seven year	5.23
Fed.funds at intervention	-	Six month	3.19	10-year	5.61
		One year	3.40	30-year	6.23
		Two year	3.93		

Aug 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-7.00	6.70-6.80	6.60-6.70	6.45-6.55	6.25-6.40	7.75
Paris	8⅛-8¼	7.50-7.90	-	7.00-7.40		6.75
Zurich	4⅝-4⅞	4⅝-4¾	-	4 7/16-4 11/16	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	2 15/16-3	-	-	-	-	-
Milan	9 15/16-10	9 11/16-9¾	-	9 5/16-9 7/16	-	-
Brussels	11 1/16-11⅛	9⅞-10⅛	-	9⅜-9½	-	-
Dublin	6-6¼	6 5/16-6 11/16	6½-6⅝	6½-6⅝	6 5/16-6 7/16	-

LONDON MONEY RATES

Aug 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	5½	5⅞	5⅞	5 13/16	5 13/16	5⅝
Interbank Bid	4	5¼	5¾	5 11/16	5⅝	5½
Sterling CDs	-	-	5 23/32	5¾	5⅝	5 13/32
Local Authority Deps.	5	5⅝	5 13/16	5⅞	5 11/16	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5⅝	5¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5 13/16	5⅝	5 7/16
Treasury Bills (Buy)	-	-	5 11/16	5¾	5⅛	-
Bank Bills (Buy)	-	-	5 23/32	5 13/32	5½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.96	3.02	3.15	3.32
SDR Linked Dep. Offer	-	-	4 5/16	4 7/16	4⅜	4 7/16
SDR Linked Dep. Bid	-	-	4 3/16	4 5/16	4¼	4 5/16
ECU Linked Dep. Offer	-	-	8 3/16	7 11/16	7 1/16	6½
ECU Linked Dep. Bid	-	-	8 1/16	7 9/16	6 15/16	6¼

Treasury Bills (sell): one-month 5 11/16 per cent; three months 5¾ per cent; six months 5 per cent; Bank Bills (sell): one-month 5⅝ per cent; three months 5 21/32 per cent; Treasury Bills: Average tender rate of discount 5.0707 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 30, 1993. Agreed rates for period Aug 25, 1993 to Sep 25, 1993 Schemes II & III: 7.26 p.c. Reference rate for period July 1, 1993 to July 30, 1993, Scheme IV&V: 6.009 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from August 1, 1993 Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1¼ p.c.

BANK RETURN

BANKING DEPARTMENT	Wednesday August 18, 1993	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	2,578,338,274	- 986,855,565
Bankers Deposits	1,515,616,887	- 181,855,900
Reserve and other Accounts	3,701,056,750	+ 368,211,342
	7,809,564,911	- 800,500,123
ASSETS		
Government Securities	1,300,452,132	- 88,000,000
Advance and other Accounts	6,060,019,520	+ 254,169,096
Premises Equipment & other Secs	444,567,894	- 965,416,968
Notes	4,297,083	- 1,259,455
Coin	228,282	+ 7,204
	7,809,564,911	- 800,500,123
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	17,185,702,917	- 18,740,545
Notes in Banking Department	4,297,083	- 1,259,455
	17,190,000,000	- 20,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	6,821,013,071	- 1,029,271,771
Other Securities	10,357,965,829	+ 1,009,271,771
	17,190,000,000	- 20,000,000

BASE LENDING RATES

%	%	%
Adam & Company 6	Cyprus Popular Bank 6	Mount Banking 6
Allied Trust Bank 6	Duncan Lawrie 6	NatWestminster 6
AIB Bank 6	Equatorial Bank plc 6	Nykredit Mortgage Bnk 6.5
●Henry Ansbacher 6	Exeter Bank Limited 7	●Rea Brothers 6
B & C Merchant Bank 13	Financial & Gen Bank 7	* Roxburghe Bank Ltd 8
Bank of Baroda 6	●Robert Fleming & Co 6	* (In administration)
Banco Bilbao Vizcaya 6	Girobank 6	Royal Bk of Scotland 6
Bank of Cyprus 6	●Guinness Mahon 6	●Smith & Williamson Secs 6
Bank of Ireland 6	Habib Bank AG Zurich 6	Standard Chartered 6
Bank of India 6	●Hambros Bank 6	TSB 6
Bank of Scotland 6	Heritable & Gen Inv Bk 6	●United Bk of Kuwait 6
Barclays Bank 6	●Hill Samuel 6	Unity Trust Bank Plc 6
Brit Bk of Mid East 6	C. Hoare & Co 6	Western Trust 6
●Brown Shipley 6	Hongkong & Shanghai 6	Whiteaway Laidlaw 6
CL Bank Nederland 6	Julian Hodge Bank 6	Wimbledon & Sth West 7
Citibank NA 6	●Leopold Joseph & Sons 6	Yorkshire Bank 6
City Merchants Bank 6	Lloyds Bank 6	
Clydesdale Bank 6	Meghraj Bank Ltd 6	● Members of British Merchant Banking & Securities Houses Association
The Co-operative Bank 6	McDonnell Douglas Bk 6	
Coutts & Co 6	Midland Bank 6	
Credit Lyonnais 6		

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES- Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Crd: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £132¼ 136½

Exchequer 10½% Stk 2005 - £125$\frac{11}{32}$ (16Au93)

Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £136½ (16Au93)

Corporation and County Stocks

Birmingham District Council 11½% Red Stk 2012 - £126 (17Au93)

Leeds(City of) 13½% Red Stk 2006 - £140

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

National Grid Co PLC 7⅝% Bds 1998 (Br £ Var) - £102⅛ ¼

National & Provincial Bldg Society 10¾% Subord Bds 2006/11 - £117¾ ⅞ (17Au93)

National Westminster Bank PLC 11¾% Subord Nts 2001 (Br £Var) - £122⅛ (16Au93)

National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £122½ ⅝

National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £122½

Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) - £70½

Nippon Telegraph and Telephone Corp10% Nts 1995 (BrEC1000&10000) - EC104.15ф

Leeds Permanent Building Society 10½% Subord Bds 2018 (Br £Var) - £120¾ ⅞

Lewis (John) PLC 10¼% Bds 2006(Br£1000&10000) - £117⅞ (16Au93)

Lewis (John) PLC 10½% Bds 2014 (Br£10000&100000) - £122⅝ (17Au93)

Lloyds Bank PLC 9⅝% Subord Bds 2023 (Br £ Var) - £114

Lloyds Bank PLC 11⅛% Subord Serial Nts 1998(Br£10000) - £110¼

London Electricity PLC 8% Bds 2003 (Br £ Var) - £104⅞ (17Au93)

Marks & Spencer Finance PLC 7⅞% Gtd Nts 1998 (Br £ Var) - £103.075 (18Au93)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Allied London Properties PLC 10¼% 1st Mtg Deb Stk 2025 - £124

Allied-Lyons PLC 5½% Cum Prf £1 - 62½ (18Au93)

Allied-Lyons PLC 7½% Cum Prf £1 - 85 (17Au93)

Allied-Lyons PLC 11¾% Deb Stk 2009 - £136ф

Allied-Lyons PLC 7½% Uns Ln Stk - £80ф

Allied-Lyons PLC 7¾% Uns Ln Stk 93/98 - £99½

Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 76½

Ratners Group PLC ADR (3:1) - $1.68

Reckitt & Colman PLC 5% Cum Prf £1 - 56

Record Holdings PLC 10% Cum Red Prf £1 - 113½ (18Au93)

Regis Property Hldgs PLC 8¾% Gtd Uns Ln Stk 1997 - £99 (16Au93)

Retail Corporation PLC 4.55% (Fmly 6½%) Cum Prf £1 - 65 (13Au93)

Retail Corporation PLC 4.55% (Fmly 6½%) Cum 3rd Prf £1 - 65 (13Au93)

Richards PLC 4% Cum Pfd £1 - 30 (16Au93)

Richards PLC 5½% Cum Pfd 75p - 30 (13Au93)

Ropner PLC 11½% Cum Prf £1 - 133 9 (18Au93)

Rotork PLC 9½% Cum Prf £1 - 110 (16Au93)

Royal Bank of Canada Int Cap Fd Ld Ptg Red Prf $0.001 - $5.23 (16Au93)

Royal Bank of Scotland Group PLC 5½% Cum Prf £1 - 68 (16Au93)

Royal Bank of Scotland Group PLC 11% Cum Prf £1 - 123

Royal Trust Government Secs Fund LdPtg Red Prf 1p - 56.95ф

Rugby Group PLC 6% Uns Ln Stk 93/98 - £94¾

SCEcorp Shs of Com Stk of NPV - $24½ (13Au93)

Saatchi & Saatchi Co PLC ADR (3:1) - $7.265ф

Sainsbury(J) PLC ADR (1:1) - $7⅞ф

Sainsbury(J) PLC 8% Irrd Uns Ln Stk - £94

Scantronic Hldgs PLC 7.25p (Net) Cnv Cum Red Prf 20p - 98

Scholl PLC 8⅞% Cum Red Prf 2001/05 £1 - 112 (18Au93)

Schroder Japanese Warrant Fund Ld IDR (in Denom 100 Shs & 10000 Shs) - $125

Schroders PLC 8¾% Uns Ln Stk 97/2002 - £104½ (17Au93)

Scottish Hydro-Electric PLC Ord 50p - 371 1 2 2 3 ½ 4 ½ 5 5 ½ .81 6 7 ½ 8 9

Scottish Metropolitan Property PLC 10¼% 1st Mtg Deb Stk 2016 - £112¼ 3⅛ ¾ 4 (18Au93)

Vaux Group PLC 10.75% Deb Stk 2019 - £128¾ (16Au93)

Vickers PLC 5% Cum(Tax Free To 30p)Prf Stk £1 - 70 (16Au93)

Vodafone Group PLC ADR(10:1) - $83¼ .27 ½ ⅝ .872204 .9972 4 .107198 .122198 .23

Wagon Industrial Hldgs PLC 7.25p (Net) Cnv Ptg Prf 10p - 131 (18Au93)

Walker & Staff Hldgs PLC Ord 5p - 115 (13Au93)

Warburg (S.G.) Group PLC Cnv Dfd 25p - 508 8 (16Au93)

Watmoughs(Hldgs) PLC 8¼% Cum Red Prf 2006 £1 - 109

Weir Group PLC 10% Deb Stk 88/94 - £100 (17Au93)

Wellcome PLC ADR (1:1) - $10.95 .96 1 1 .05 .075 .09 .1 .105 .12462 ¼

Wells Fargo & Company Shs of Com Stk $5 - £74⅞ (18Au93)

Westland Group PLC Warrants to sub for Ord - 133 ½

Whitbread PLC B Ord 25p - £11.15

Whitbread PLC 6% 3rd Cum Prf Stk £1 - 70 (17Au93)

Whitbread PLC 4½% Red Deb Stk 99/2004 - £79 (18Au93)

Whitbread PLC 7¾% Red Deb Stk 89/94 - £99¾ (17Au93)

Whitbread PLC 9¾% Red Deb Stk 91/96 - £101 (16Au93)

Whitbread PLC 7¼% Uns Ln Stk 95/99 - £99

Whitbread PLC 7¾% Uns Ln Stk 96/2000 - £101½ (13Au93)

Whitbread PLC 10½% Uns Ln Stk 2000/05 - £114½ (18Au93)

Widney PLC 7% Cum Prf £1 - 20½ (17Au93)

Widney PLC 8.75% Cnv Cum Red 2nd Prf 2000 £1 - 88

Williams Hldgs PLC 10¾% Cum Prf £1 - 138

Willis Corroon Group PLC ADR (5:1) - $17.65 17.73

Wilson(Connolly)Hldgs PLC 10½% Cum 2nd Prf £1 - 120

Investment Trusts

TR City of London Trust PLC 10¾% Deb Stk 2020 - £125 (18Au93)

TR City of London Trust PLC 11½% Deb Stk 2014 - £133½ (16Au93)

TR Smaller Companies Inv Trust PLC 10½% Deb Stk 2016 - £123 (13Au93)

Temple Bar Investment Trust PLC 7% Cum Prf Stk £1 - 76 (17Au93)

Throgmorton Trust PLC 12 5/16% Deb Stk 2010 - £136½ (18Au93)

Witan Investment Co PLC 8½% Deb Stk 2016 - £108 (17Au93)

USM Appendix

Cooper Clarke Group PLC Ord 50p - 105 (18Au93)

Dakota Group PLC Ord Ir£0.25 - Ir£0.19

FBD Holdings PLC Ord Ir£0.50 - Ir£1.88 (18Au93)

Gibbs Mew PLC Ord 25p - 320 5

Midland & Scottish Resources PLC Ord 10p - 12 3½

Sterling Publishing Group PLC Cnv Cum Red Prf £1 - 136

Total Systems PLC Ord 5p - 60 2¼ (16Au93)

Wyevale Garden Centres PLC 8.5% (Net) Cnv Cum Red Prf £1 - 187 (18Au93)

Rule 535(2)

Active Investments PLC Ord 15p - £0.17 (13Au93)

All England Lawn Tennis Ground Ld Deb 91/95 £2000 - £12000 12000 (16Au93)

Alliance Trust PLC 4% A Cum Prf £1 - £0.43 (16Au93)

Allied Satellite Communications PLC Ord 5p - £0.1025 (13Au93)

Altro-Group Ld Cum Cnv Red Prf 10p - £87 8 (13Au93)

Amalgamated Metal Corp PLC Ord £1 - £1 (16Au93)

Amalgamated Metal Corp PLC 5.4% Cum Prf £1 - £0.47 (17Au93)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Bank of East Asia HK$34.105

Bolton Properties M$2.367 (17/8)

Cape Range Oil A$0.0655 (17/8)

Centaur Mining A$0.14056 (13/8)

Churchill Res. 15 (17/8)

City Developments S$4.524

Elec & Eltek 3

Far East Hotels & Ent. FF0.64ф (18/8)

Fututis A$1.223 (18/8)

Hexam North West 11

High Plains $72ф (17/8)

Keystone $25 (16/8)

Kulim Malaysia 44

Leighton Hldgs. A$1.93 (16/8)

Malayan Cement M$5.124ф (18/8)

McCarthy Grp. 51 (18/8)

Mount Martin Gold Mines 27 (18/8)

North Flinders Mines 570

Oil Search 31

Orbit Oil & Gas C$2.68 (13/8)

Petroleum Sec. Australia A$0.257 (16/8)

Robinson & Co S$8.2384 (18/8)

Sapphire Mines 4 (18/8)

Selangor Coconuts 60ф (18/8)

Singapore Land S$4.463ф 4.513

Terrex Res. A$0.1485ф (17/8)

Valiant Cons. A$0.385 (18/8)

Walhalla Mining 8 (17/8)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LONDON STOCK EXCHANGE

Profit-taking brings minor losses

By Terry Byland, UK Stock Market Editor

Account Dealing Dates		
First Dealings:		
Aug 2	Aug 16	Sep 6
Option Declarations:		
Aug 12	Sep 2	Sep 16
Last Dealings:		
Aug 13	Sep 3	Sep 17
Account Day:		
Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

AFTER A brave start, the UK stock market yesterday followed the more subdued tone evident in other global dealing centres to close slightly easier on the day. Expiry day in London's FT-SE Index traded options and in New York's futures and options markets brought some technical activity but the session was generally one of consolidation.

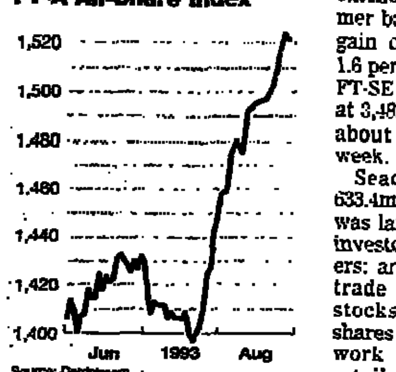
In early dealings, the FT-SE Index moved up by 12.2 on the back of new peaks on Wall Street overnight and continued optimism towards UK interest rate prospects. The edge was taken off equities, however, by initial weakness in government bonds and share prices began to give ground.

Losses in gilts ranged to more than ¼ of a point at the longer end at mid-session but the sector rallied as it digested reported comments on interest rate policies by Mr Hans Tietmeyer, vice president of the Bundesbank. By the close, long-dated UK bonds were only ¼ down, although index-linked gilts remained depressed by around 11/16 of a point. There was little immediate response, however, to disclosure that Britain's non-EC trade deficit had widened sharply to £778m in July.

The Footsie dipped by 8 points in the lead-up to the expiry in the Index Traded Option and the German stock market eased. Buyers then returned, taking the Footsie to the day's best level of 3,077.7, still more than 11 points under the trading peak of the previous session.

Interest then waned and, with Wall Street also abandoning its recent peak to shed 10 Dow points in UK hours, the London market fell steadily lower in moderate trade.

FT-A All-Share index



Source: Datastream

At the close, the FT-SE Index was down 7.9 at 3,057.6. This week – the first leg of a three-week equity trading account extended to cover the UK summer bank holiday – has seen a gain of 47.5 points or around 1.6 per cent on the Footsie. The FT-SE Mid 250 Index, down 3.6 at 3,482.4 yesterday, has gained about 0.8 per cent over the week.

Seaq volume dipped to 633.4m shares as profit-taking was largely confined to private investors and securities traders: around 54 per cent of the trade came in non-Footsie stocks. Thursday's 837.2m shares through the Seaq network generated £1.75bn in retail or customer business, sustaining the increase in volume which has, in turn, encouraged a strong performance from the merchant banking stocks.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															
Brit. Aerospace†	1,500	449	-5												
British Airways†	3,900	348	-2												
British Gas†	16,000	331½	-5	Inchcape†											
British Land	1,000	357		Johnson Matthey	59	488		Rothmans†	516	690	+1	Vodafone†	7,200	562	+15
British Steel†	6,600	111	-1½	Kingfisher†	2,100	688	+1	Rvl Bk Scotland†	41,000	290	-4	Warburg (SG)†	649	808	-4
Bunzl	4,600	137	+4	Kwik Save	525	738	+5	Royal Insurance†	2,700	334	-4	Wellcome†	950	745	+5
Burmah Castrol	138	763	-2	Ladbroke†	1,200	217½	-2½	Saatchi	266	165		Welsh Water	148	628	-3
Burton	3,100	82	-2½	Land Securities†	1,100	670	-2	Sainsbury†	2,000	522	+6	Wessex Water	139	629	
Cable & Wire†	7,200	844	+2	Laporte	478	642	-2	Scottish & New.†	1,200	465	+2	Whitbread 'A'†	727	529	+4
Cadbury Schweppes†	4,200	493	-8	Legal & General†	1,000	489	+2	Scot. Hydro-Elect.†	1,100	371	-2½	Williams Hldgs.†	1,200	347	-2
Calor Group	214	248	+4	Lloyds Abbey	1,100	433	-1	Scottish Power†	1,400	352½	-3	Willis Corroon	549	235	+2
Carlton Comms.†	1,000	805	-3	Lloyds Bank†	3,900	528	-8	Sears†	5,100	115½	+1	Wimpey	668	186	-6
Coats Viyella†	1,800	244	-1	LASMO	14,000	136½	+5½	Sedgwick	547	195	+3	Wolseley†	1,500	639	-1
Comm. Union†	320	627	+4	London Elect.	133	527	-5	Seeboard	119	578	-5	Yorkshire Elect.	362	555	-5
Cookson	861	229	+1	Lonrho	1,300	128½	+½	Severn Trent Water†	1,100	541	+1	Yorkshire Water	173	556	+2
Courtaulds†	841	568	-3	Lucas	3,200	154	-4	Shell Transport†	2,100	660½	-2	Zeneca†	3,700	701	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Block deal in RBOS

A BUSY week in the banking sector was rounded off yesterday when a large block of shares in Royal Bank of Scotland (RBOS) changed hands. The deal was executed by Credit Lyonnais Laing, the French-owned stockbroker to Royal Bank. CLL declined to comment on the deal.

An institution sold 20m shares at 286p. They were later placed in the market at 287½p. The placing was said to have gone through very smoothly, with institutions keen to take on the shares.

There were suggestions in the market that Banco Santander, the Spanish bank, was the seller of the block of shares, around 2.5 per cent of RBOS, but this was discounted by banking specialists who believed the stock had come from a big UK institution, which was believed to have adopted the view that it was overweight in the stock.

Santander was last shown as holding 9.89 per cent of RBOS while Scottish Equitable Life held 5.24 per cent.

RBOS shares, marginally easier from the outset of the trading session, were unmoved by the share sale, closing a net 4 off at 290p. Turnover, representing double counting of the big institutional share sale, totalled 41m, the biggest single day's business in the stock since Big Bang in October 1986.

Kleinwort trades

Two large share trades, early in the trading session, alerted the market to the fact that a substantial stake in Kleinwort Benson, one of the City's leading merchant banks and a big force in the UK securities market, had changed hands.

The Seaq ticker revealed two major deals in the shares. The first, a block of 7.8m traded for cash at 500p and the second a block of 7, at 498p.

It was later confirmed that American International Group (AIG), a leading US insurance group, had sold its 6.6 per cent stake in Kleinwort Benson, acquired in 1988. The deal was said to have been carried out by SG Warburg Securities.

AIG's sale of its Kleinwort stake came the day after Kleinwort shares climbed to their highest level since the October 1987 crash. The share price edged up by one penny to 508p yesterday with trading volume of 15m shares.

Lasmo alert

Shares in Lasmo, the oil exploration and production group, staged a strong revival yesterday as the market responded to recent talk that that a predator may be stalking the company. The shares jumped 5¼ to 136¼p on heavy turnover of 11m shares.

Lasmo has been viewed as a potential bid target by market analysts following its bitter experience in absorbing Ultramar, its fellow oil group. A deterioration in Lasmo's performance following this acquisition was seen as the trigger for the departure of Mr Chris Greentree, former chief executive, earlier this year.

Lasmo shares began to stir earlier this week with rumours that British Gas – following the MMC report which recommended that Gas lose its monopoly in the UK gas supply business – might be interested in bidding for Lasmo. The Gas bid stories have died down but the market was alive yesterday with talk that a reshaping of the UK exploration and production sector may be in the offing. Sector analysts were shocked recently by news that Mr John Walmsley, Enterprise Oil's finance director, has resigned.

"It's all highly speculative at the moment, but the feeling is that something might be afoot," said one analyst.

Food retailers were one of the day's best performing sectors as speculation that SG Warburg was about to create a covered warrant on the sector did the rounds. No one at the securities house was available to comment but there was good demand for several food retailing stocks.

The day's strong performers included Argyll Group – in which sentiment was said to have also been boosted by a UBS recommendation – which gained 6½ to 353½p, and Kwik Save, a strong performer earlier in the week following broker's recommendations. The shares appreciated another 5 to 738p. J Sainsbury gained 6 to 522p, in trade of 2.4m.

Shares in Cadbury-Schweppes fell 8 to 493p, after it announced it was increasing its stake in US drinks company Dr Pepper/Seven-UP to around 26 per cent, having picked up a 20.2 per cent stake for $231.3m. There were fears in the market that Cadbury may decide to launch a full bid for Dr Pepper and UK analysts doubt whether Cadbury should move into the competitive mass US soft drinks market, a move they feel would necessitate a cash raising effort.

Cadbury's purchase appeared to dash recent market speculation that it may bid for United Biscuits. Shares in UB eased 10 to 381p, on the fading bid hopes.

Shares in Allied-Lyons closed 7 ahead at 615p, after Smith New Court reiterated its buy recommendation. The broker believes the stock to be cheap on "yield and PE considerations", and that the market has not yet given the management credit for changes made. Guinness, in which Smith New Court turned a buyer earlier this week, was in demand and the shares firmed 10 to 503p, on volume of 3.6m.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 9.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (208).
AMERICANS (1) Eaton, BANKS (3) ABN Amro, Banco Santander, Westpac, BREWERS (6) Cape Inds. Pf., Eldridge Pope A, Grafton, Regent Inns, Whitbread A, BLDG MATLS (3) Erith, Marden, Sheffield Insltns., BUSINESS SERVS (6) BNB Res., Business Post, Gardiner, Page (M), Reed Exec., Serco, CHEMS (1) Schering, CONGLOMERATES (3) Bodycote, Grampian, Jourdan (T), CONTG & CONSTRCN (9) Ashtead, Bellway, Bellwinch, Berkeley, CALA, Hewden-Stuart, Pochins, Sheriff, Tilbury Douglas, ELECTRICALS (4) Chloride, Critchley, Denmans, LPA, ELECTRONICS (4) Alba, Kalamazoo, Racal, Tunstall, ENG AERO (1) Hunting Pf., ENG GEN (9) Babcock, Brammer, Crabtree, EIS, Eadie, Hill & Smith, Slebe, Spirax-Sarco, Vosper, FOOD MANUF (4) Assoc. Br. Foods, Danisco, Hillsdown, Unigate Pack, FOOD RETAILING (3) M & W, PizzaExpress, Shoprite, HEALTH & HSEHOLD (4) Amersham, Paterson Zoch., Do. A N/V, Zeneca, HOTELS & LEIS (7) BCE, Compass, Magnolia, Pelican, Ramsden's, Stakis, Thorn EMI, INSCE LIFE (1) Transatlantic, INV TRUSTS (60) Abtrust Pfd. Inc., Amicable Smaller Wrts., Contra-Cyclical Zero Div. Pf., Eng. & Cal., Exeter Pfd. Cap., Exmoor Dual Zero Cpn. Pf., Finsbury Growth, First Spanish Wrts., Do. Ln. 1997, Fleming Euro. Fled. Wrts., Foreign & Col. German, Fulcrum Zero Pf., Gartmore Scot., Henderson Euro., Do. Uts., Henderson Highland, Hoare Govett Smllr Co's. Index, I & S UK Smaller Co's. Wrts., Intl. Inv. Tr. Jersey, Kleinwort Endowment Policy, M & G 2nd Dual, M & G Recovery Zero Div. Pf., Martin Currie Euro., Med. Fd., Do. Wrts., Mexico Fd., Murray Ent., Do. Zero Cv. 1994, Murray Euro Wrts., Murray Ventures, New Frontiers Dev., Oriental Smllr. Co's., Pacific Horizon Wrts., Pilot, Riv. & Merc. Stpd. Pf., River & Merc. Ex. Inc. Wrts., SHIRESCOT, Scot. Natl., Do. Zero Div. Pf., Shires, Smaller Co's. Wrts., Singapore SESDAQ, Sphere Uts., St. Andrew, TR High Inc., TR Tech., Whitbread, World Tst. Fd. Wrts., Yeoman Cap., Do. Zero Div. Pf., MEDIA (8) Capital Radio, Elsevier, MMI, Do. Wrts., News Intl., Reed Intl., Trinity, Ulster TV, MERCHANT BANKS (2) Schroders N/V, Warburg Pf., MTL & MTL FORMING (2) Castings, Metsec, MISC (13) Alumasc, Black (P), Bluebird Toys, Br. Thornton, Charning, Fine Decor, Headlam, Holders Tech., [illegible]

NEW LOWS [illegible]
BRITISH F[illegible] 13½pc 1994 [illegible] AMERICANS [illegible] Phoenix Timber [illegible] CONSTRCN [illegible] Clarke (T), [illegible] Diagnostics, [illegible] PACKG, PA[illegible] Waterglade, [illegible] MINES (1) [illegible]

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
BNB Res	100	+	7
Blagden Inds	165	+	10
Blick	475	+	25
Bodycote	321	+	16
Compass	588	+	22
Crabtree	249	+	17
Eldridge Pope A	129	+	7
Henderson Admin	1100	+	40
Hi-Tec Sports	55	+	8
Holders Tech	158	+	9
Lasmo	136¼	+	5½
Norex	189	+	12
Perpetual	720	+	30
Radio Clyde	314	+	11
Relyon	221	+	11
Rexmore	54	+	4

Falls			
ADT	630	–	28
Kode Intl	189	–	6
Oceana Cons	125	–	8
Phoenix Timber	12	–	12
Union Discount	180	–	8
Utd Biscuits	381	–	10
Wilkes (J)	106	–	5
Wimpey (G)	186	–	6

EQUITY FUTURES AND OPTIONS TRADING

The derivatives sector ended a hectic week on a more subdued note as dealers paused to take profits and lock in gains made earlier in the week, writes Joel Kibazo.

In futures, early trading in the September contract on the FT-SE 100 was influenced by the initial weakness in gilts and, having opened at 3,069, the contract drifted lower, falling to the day's low of 3,062 at around 9.30am.

Bargain-hunters returned the September contract to positive territory and it rose to the day's high of 3,090 over the lunchtime period, before a dull Wall Street led to another bout of consolidation.

It closed at 3,070, around 7 points above fair value premium on volume of 7,927 lots.

The expiry of the index options was meant to be the main event in the traded options, though with much of the position closing having been done on Wednesday and Thursday, it generated little in the way of turnover. Total volume was 28,570 contracts, of which 6,323 was in the FT-SE 100 option and 8,846 in the Euro FT-SE 100 option.

FINANCIAL TIMES EQUITY INDICES

	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Year ago	* High	* Low
Ordinary share	2384.1	2394.5	2406.1	2366.2	2347.6	1755.4	2406.1	2124.7
Ord. div. yield	3.87	3.85	3.84	3.90	3.94	5.10	4.52	3.84
Earning yld % full	4.57	4.55	4.53	4.70	4.75	7.39	6.38	4.53
P/E ratio net	27.96	28.08	28.16	27.18	26.93	17.09	28.16	19.40
P/E ratio nil	25.82	25.93	26.01	25.14	24.90	15.90	26.01	18.14
Gold Mines	197.7	201.5	197.0	198.0	198.3	82.5	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2406.1 18/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35, Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2393.5	2389.0	2400.6	2398.8	2403.2	2403.5	2400.4	2390.7	2385.0	2404.0	2383.3

Volume	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Year ago
SEAQ Bargains	33,643	41,396	39,288	32,736	37,573	23,238
Equity Turnover(£m)†	-	1746.2	1920.5	1428.7	1120.4	832.8
Equity Bargains†	-	46,430	43,773	37,831	43,281	25,018
Shares traded (ml)†	-	711.5	735.3	581.5	564.8	387.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday August 20 1993.

Gold Mines Index	+	209.39	Insurance (Life)	+	15.23
Merchant Banks	+	58.84	Oil & Gas	+	14.73
Property	+	58.10	Packaging & Paper	+	14.47
Engineering-Aerospace	+	53.03	Transport	+	14.24
Metals & Metal Forming	+	41.57	Other Industrials	+	12.45
Contracting, Construction	+	40.93	Telephone Networks	+	11.99
Building Materials	+	31.18	Water	+	11.55
FT-SE SmallCap	+	29.10	FT-A All-Share	+	11.31
Financial Group	+	28.88	Hotels & Leisure	+	11.23
FT-SE SmallCap ex Inv Tst	+	28.45	Conglomerates	+	11.16
Banks	+	26.77	Other Groups	+	11.13
Investment Trusts	+	25.70	FT-SE-A 350	+	10.36
Electronics	+	24.50	Business Services	+	10.24
Capital Goods	+	24.05	Textiles	+	10.02
Engineering-General	+	23.99	Chemicals	+	9.88
Motors	+	22.79	Stores	+	8.71
Insurance Brokers	+	21.69	"500" Share Index	+	8.00
FT-SE Mid 250	+	21.64	FT-SE 100	+	7.42
FT-SE Mid 250 ex Inv Tst	+	21.53	Industrial Group	+	7.24
Electricity	+	20.45	Food Manufacturing	+	3.95
Electricals	+	18.53	Consumer Group	-	1.35
Insurance (Composite)	+	15.95	Brewers & Distillers	-	3.79
Media	+	15.74	Food Retailing	-	4.12
			Health & Household	-	17.73

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.1877	+0.076	6.82	6.86	7.09
BELGIUM		9.000	03/03	112.9000	-0.100	7.09	7.10	7.01
CANADA *		7.500	12/03	103.8050	-0.190	6.97	7.08	7.13
DENMARK		8.000	05/03	108.9250	-0.075	6.72	6.77	7.14
FRANCE	BTAN	8.000	05/98	108.9148	+0.038	5.77	5.77	6.24
	OAT	8.500	04/03	115.0700	-0.160	6.36	6.34	6.79
GERMANY		6.500	07/03	101.1750	-0.100	6.34	6.31	6.58
ITALY		11.500	03/03	108.9800	-0.315	10.29†	10.05	11.10
JAPAN	No 119	4.800	06/99	104.0034	-0.625	3.95	3.78	4.01
	No 157	4.500	06/03	101.5222	-0.495	4.28	4.19	4.18
NETHERLANDS		7.000	02/03	105.6100	-0.210	6.19	6.21	6.37
SPAIN		10.300	06/02	105.9000	+0.550	9.27	9.47	10.32
UK GILTS		7.250	03/98	103-10	-3/32	6.40	6.27	6.81
		8.000	06/03	107-06	-10/32	6.97	6.86	7.52
		9.000	10/08	114-25	-8/32	7.36	7.30	7.86
US TREASURY *		5.750	08/03	100-31	+11/32	5.62	5.73	5.77
		6.250	08/23	100-10	-1/32	6.23	6.35	6.59
ECU (French Govt)		8.000	04/03	106.0000	-0.230	6.84	6.87	7.26

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	2	69	10	99	237	69
Other Fixed Interest	0	3	12	18	13	44
Commercial, Industrial	326	261	835	2,147	1,047	3,917
Financial & Property	162	163	492	1,321	577	2,175
Oil & Gas	22	15	44	99	88	218
Plantations	0	1	7	2	1	37
Mines	22	40	71	203	172	294
Others	50	35	29	172	244	194
Totals	584	587	1,500	4,061	2,379	6,948

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3057.6 -7.9	3482.4 -3.6	1518.01 -3.00

	Aug 20	Day's change %	Aug 19	Aug 18	Aug 17	year ago	Dividend yield %	Earnings yield %	P/E ratio	Xd adj ytd	Total Return	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	3057.6	-0.3	3065.5	3073.5	3025.0	2385.7	[illegible]								
FT-SE Mid 250	3482.4	-0.1	3486.0	[illegible]											
FT-SE Mid 250 ex Inv Trusts	[illegible]														
FT-SE-A 350	1532.4	[illegible]													
FT-SE SmallCap	[illegible]														
FT-SE SmallCap ex Inv Trusts	[illegible]														
FT-A ALL-SHARE	1518.01	-0.2	1521.01	1524.33	1503.20	1125.24	[illegible]								
[sector rows 1–99]	[illegible]														

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	3065.7	[illegible]										
FT-SE Mid 250	[illegible]											
FT-SE-A 350	[illegible]											

FT-SE Actuaries 350 Industry Baskets

	[illegible]
Constrcn	[illegible]
Health&H	[illegible]
Water	[illegible]
Banks	[illegible]

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	[illegible]			Other Groups	31/12/74	63.75
FT-SE SmallCap	31/12/92	1363.79	[illegible]			Industrial Group	31/12/70	128.06
FT-SE SmallCap ex Inv Trust	31/12/92	1412.60	[illegible]			[illegible]	31/12/70	128.06
FT-SE Mid 250	31/12/85	1412.60	[illegible]			[illegible]		
FT-SE Mid 250 ex Inv Trust	31/12/85	[illegible]						
FT-SE-A 350	31/12/85	[illegible]						
FT-SE 100	31/12/83	1000.00						
Business Services	31/12/80	999.65						
Electricity	31/12/90	999.65						

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	[illegible]
0030–2400	[illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	157.3	158.8	167.2	+0.30	0.00
AIB Grofund Equity	5	219.6	222.8	235.6	-0.80	1.11
AIB Grofund Euro	5	178.6	180.3	189.8	-1.00	0.24
AIB Grofund Ext Balanced	3	108.4	108.5	111.9	+0.40	1.77
AIB Grofund Gilt	3	78.13	78.15	86.5	-0.11	4.87
AIB Grofund Japan	5	181.7	183.4	193.1	-1.40	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	458.2	459.1	488.8	+0.2	2.26
General Acc	5	502.6	504.0	536.2	+0.2	2.26
UK Growth Acc	6	334.5	338.8	360.5	+0.9	2.46
UK Growth Inc	6	237.1	240.0	255.4	+0.5	2.46
Higher Inc Acc	6	827.8	830.6	871.1	-	3.48
Higher Inc Inc	6	378.4	380.2	407.7	-	3.48
Gilts/Fxd Int Acc	5½	135.3	135.3	135.7	-0.5	5.78
Gilts/Fxd Int Inc	5½	97.12	97.12	102.5	-0.3	5.78
Nth America	6	248.5	249.3	265.3	-0.2	0.00
Far East	6	321.5	321.5	342.1	-3.2	0.16
Europe	6	342.9	346.3	362.6	-0.7	0.77
Brit Excel	6	68.85	68.95	73.25	+0.25	3.50
Brit Fndmns Acc	6	96.34	96.53	102.7		4.30
Brit Fndmns Inc	6	73.88	74.34	79.13	+0.01	4.30
Global Opps	6	77.48	78.89	84.03	-0.11	0.10
Balanced Acc	6	50.89	51.58	54.88	-0.01	2.44
Balanced Inc	6	50.99	51.58	54.98	-0.01	2.44

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	136.0	136.0	144.2	-0.2	5.55
High Inc Equity	6	161.0	163.6	174.0	-0.1	4.52
Worldwide Bond	6	269.8	268.8	286.0	-1.1	3.67
American Growth	6	293.4	293.4	312.7	-1.1	1.14
Asian Pacific	6	251.5	256.8	272.9	-0.5	.30
Assets & Earnings	6	242.5	242.5	259.3	-0.5	2.14
Capital Reserve Acc	0	127.8	127.8	127.8	-	4.76
Commdy & Energy	6	91.15	91.15	97.48	+0.30	.55
1992 Enterprise	6	98.56	98.56	98.57	-0.01	2.07
Euro Capital Acc	6	118.7	118.7	126.9	-0.5	.80
Euro Capital Inc	6	111.6	111.6	119.3	-0.5	.91
General	6	214.6	218.2	232.1	-0.2	2.34
Japan	6	131.4	131.4	140.5	-3.1	-
Mastertrust	6	127.1	127.1	135.9	-0.6	1.28
UK Growth Acc	6	201.2	238.8	[illegible]	+1.7	2.14
UK Growth Dist	6	124.1	128.7	136.9	+1.0	2.19
US Emerging Cos	6	121.7	[illegible]	[illegible]	-0.4	-

Brown Shipley UT Mngrs (1000)F
9-17 Perrymount Rd, Haywards Hth 0444 412282

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	60.58	60.58	108.1	-0.32	1.87
Mngd P'folio Acc	6	190.2	190.2	202.6	-0.58	-
UK General	6	186.6	189.1	130.9	-0.50	2.68
European Inc	6	23.40	23.40	25.19	-0.05	0.45
European Acc	6	24.17	24.17	25.91	-0.29	-
Financial	6	142.1	142.1	151.4	-0.10	2.77
Foundation	6	83.19	85.59	91.15	-0.22	2.93
German	6	45.16	45.16	48.42	-0.10	0.08
Growth Inc 115-11	5	30.16	30.16	32.18	-0.12	2.73
Growth Acc 115-11	5	35.49	35.59	37.99	-0.14	-
High Income	6	78.44	78.44	83.93	-0.29	6.24
Income	6	130.1	131.5	151.2	-	3.84
Intl Income	6	100.2	100.38	106.8	+0.25	4.39
Intl Growth	6	38.29	38.29	38.65	+0.02	0.20
Monthly Income	6	76.88	81.75	87.17	-0.18	3.66
North American	6	107.7	107.7	114.7	+0.40	0.19
Orient	6	136.4	138.4	146.9	-1.20	-
Recovery	6	43.77	44.48	47.62	-0.14	2.34
Smaller Cos Acc	6	307.0	322.3	344.9	+2.10	-
Smaller Cos Inc	6	178.6	187.5	200.8	+1.20	1.08

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	197.4	197.4	202.8	-	3.82

For Buckmaster see Credit Suisse

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	67.97	67.97	68.90	.12	5.06

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061-837 5060

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Environ	6	141.1	144.1	153.2	-0.50	1.58
UK Growth	6	154.7	156.7	168.8	-0.80	2.03
UK Income	6	132.5	134.1	142.7	-0.50	3.92

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mngrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 651122

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	6	177.8	180.6	191.5	-0.4	1.86
Do Gen Accum	6	331.6	336.8	357.1	-0.7	1.86
Do Income Dist	6	109.6	111.3	118.0	-0.1	4.31
Do Inc Accum	6	309.5	316.0	335.0	-0.2	4.31
Gilt & Fxd Int	6	42.45	42.50	45.05	-0.34	6.17

Cannon Lincoln Fd Mngrs Ltd (1200)H
1 Olympic Way, Wembley, HA9 0NB
081-902 8876 Dealing: 0800 282821

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5¼	46.76	47.19	50.43	-0.13	2.78
Income	5¼	57.40	58.00	62.03	-0.25	3.88
Far East	5¼	52.10	52.10	55.72	-0.42	0.00
North American	5¼	93.05	93.29	100.3	-0.33	0.03
Global	5¼	91.16	91.23	98.17	-0.08	0.78

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	144.9	145.1	155.2	-	1.89
Do Accum	5½	162.4	162.6	173.9	-0.05	1.89
UK Sel P'folio	5½	121.4	122.1	130.5	-	2.41
Do Accum	5½	137.2	137.9	147.5	-	2.41

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	69.01	69.79	74.29	-	3.44

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI Americas Acc	5½	108.75	109.15	116.74	-0.01	0.00
NPI Americas Dist	5½	100.63	101.00	108.32	-0.02	0.00
NPI European Acc	5½	95.62	95.58	102.22	+0.04	0.50
NPI European Dist	5½	92.25	92.30	98.72	+0.03	0.50
NPI Far East Acc	5½	159.4	160.5	171.7	-0.80	0.00
NPI Far East Dist	5½	156.8	157.8	168.9	-0.80	0.00
NPI Global Care Acc	5½	68.45	68.85	73.64	+0.09	2.31
NPI Global Care Dist	5½	66.17	66.57	71.20	+0.10	2.31
NPI O'seas Acc	5½	1200.7	1203.9	1287.6	-2.50	0.31
NPI O'seas Dist	5½	928.2	928.6	993.2	-1.80	0.31
NPI UK Acc	5½	829.4	831.1	879.0	+1.00	2.48
NPI UK Dist	5½	330.2	331.1	354.1	-0.80	2.48
NPI UK Extra Inc Acc	5½	78.84	79.16	84.66	-0.08	4.17
NPI UK Extra Inc Dist	5½	73.87	74.15	79.30	-0.08	4.17
NPI UK Spec Opp Acc	5½	87.18	87.97	94.09	+0.13	2.33
NPI W'wide Acc	5½	96.96	96.99	103.72	-0.04	0.00
NPI W'wide Dist	5½	92.60	92.62	99.37	-0.04	0.00
NPI W'wide Inc Acc	5½	66.50	66.97	71.63	+0.13	2.68
NPI W'wide Inc Dist	5½	64.37	64.82	69.33	+0.12	2.66

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Lazard Investors Ltd ‡

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

PDFM Unit Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 8222				
Prubond				
Managed Aug 18	318.8	330.2	—	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Aug 11	£243.18	250.76	+2.78	-
Equity Aug 11	£271.53	281.07	+3.29	-
International Aug 11	£41.58	42.68	+0.05	-
Intl Bond Aug 11	£21.21	21.46	+0.31	-
Fixed Int Aug 11	£138.13	131.81	+1.46	-
Index Linked Aug 11	£84.68	85.85	-0.60	-
Property Aug 11	£111.19	117.34	—	-
Cash Aug 11	£33.75	33.78	+0.04	-
Pru-Linked Retirement Plan				
Managed Aug 11	574.70	598.70	+9.70	-
Cash Aug 11	305.89	318.40	+0.20	-
Prudential Pensions Investment Account				
Pens Mngd	233.50	250.80	+0.30	-
Pens Mngd A	104.40	109.90	+0.10	-
Pens UK Eq	393.80	429.20	+1.40	-
Pens Intl	297.90	310.60	-0.50	-
Pens Global Eqty	132.80	139.80	+0.20	-
Pens Fixed	295.60	310.00	-2.00	-
Pens Index Lk	239.00	252.00	-0.30	-
Pens Property	80.30	85.20	—	-
Pens Cash	199.80	210.30	—	-
Money Purchase Plan				
Discretionary (2)	134.00	143.70	-0.40	-
Equity (7)	138.60	146.10	-0.40	-
International (4)	134.30	143.30	-0.90	-
Global Equity (2)	136.90	146.90	-0.60	-
Intl Bond Feb (2)	146.40	164.10	-0.70	-
Fixed Interest (4)	146.70	154.20	-0.60	-
Index Linked (7)	130.90	137.60	-0.10	-
Property Feb (4)	101.20	111.20	+0.40	-
Cash (2)	115.80	121.20	—	-
Prudential Individual Life Funds				
55 King's Road, Reading, RG1 3AH 0734 494852				
Series I Life Funds				
Managed	742.7	781.8	-0.1	-
Equity	1453.7	1530.3	+1.5	-
Fixed Interest	596.3	627.7	-4.9	-
Property	393.8	414.6	—	-
Cash	366.5	385.8	—	-
International	583.2	613.9	-1.7	-
Series II Life Funds				

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	104.8	110.4	-0.20	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	239.5	252.1	+0.3	-
UK Equity	227.8	239.9	+0.8	-
International	241.3	254.0	-1.2	-
American	228.2	230.7	+0.4	-
European	227.0	239.0	-0.5	-
Japan	263.8	287.0	-8.4	-
Pacific	336.0	353.7	-1.4	-
Technology	314.0	330.5	-1.1	-
Fixed Interest	181.0	190.5	-1.3	-
Indexed Linked	159.6	167.9	-0.6	-
Foreign Bond/Currency	225.7	237.6	-0.5	-
Cash	172.829	181.988	+0.019	-
Ethical	123.0	129.5	+0.6	-
Pens Mixed	690.6	727.2	-2.6	-
Pens UK Equity	775.3	816.1	+3.3	-
Pens International	745.0	784.3	-8.7	-
Pens American	240.8	253.2	-1.2	-
Pens European	265.2	279.1	-0.8	-
Pens Japan	308.5	324.8	-7.4	-
Pens Pacific	385.9	406.3	+0.6	-
Pens Fixed Interest	368.8	388.2	-2.5	-
Pens Index Linked	197.8	208.2	-9.6	-
Pens Cash	277.053	291.635	+0.039	-
Pens Property	213.88	225.14	+0.27	-
Pens Ethical	159.4	167.8	+0.7	-
Edinburgh Inv	370.0	389.5	-3.5	0
Baillie Gifford Japan	257.9	271.5	-2.7	-
Scottish Life Investments				
19 St Andrew Square, Edinburgh 031-225 2211				
Property	179.6	189.4	—	-
UK Equity	337.9	355.8	+0.1	-
American	239.7	252.4	—	-
Pacific	330.4	347.9	-4.6	-
European	430.2	452.8	-0.1	-
International	291.1	306.5	-1.2	-
Fixed Interest	242.3	255.1	-0.4	-
Index Linked	195.1	205.5	-0.7	-
Deposit	180.2	190.1	+0.1	-
Managed	270.0	284.3	-0.3	-
Worldwide	118.7	125.0	+0.6	-
With Profits Pens	85.8	90.4	—	-
Pens. Property	209.9	221.0	—	-
Pens. UK Equity	403.3	424.6	+0.2	-
Pens. American	267.1	281.2	-0.1	-
Pens. Pacific	378.1	398.2	-5.2	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (2:45 pm)

CANADA (3 pm)

JAPAN

INDICES

NEW YORK

DOW JONES

	Aug 19	Aug 18	Aug 17	Aug 16	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3612.13	3604.86	3586.98	3579.15	3612.13 (19/8)	3241.95 (20/1)	3612.13 (19/8/93)	41.22 (2/7/32)
Home Bonds	109.02	108.89	108.93	108.71	109.02 (19/8)	103.49 (11/1)	109.02 (19/8/93)	54.99 (1/10/81)
Transport	1664.63	1640.10	1642.24	1616.33	1683.08 (16/4)	1453.84 (4/1)	1673.08 (16/4/73)	12.32 (8/7/32)
Utilities	250.66	251.05	250.79	251.52	252.04 (5/8)	217.14 (8/1)	252.04 (5/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3632.25 (3638.96) Low 3581.11 (3577.48) (Theoretical♦)
Day's High 3612.13 (3617.72) Low 3587.60 (3526.98) (Actual♦)

STANDARD AND POOR'S

	Aug 19	Aug 18	Aug 17	Aug 16	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	456.43	456.04	453.13	452.38	456.43 (19/8)	429.05 (8/1)	456.43 (19/8/93)	4.40 (1/6/32)
Industrials♥	518.81	517.36	513.58	511.52	524.99 (10/3)	498.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.32	46.42	46.32	40.72	48.89 (12/8)	39.89 (8/1)	46.89 (12/8/93)	8.64 (1/10/74)
NYSE Composite	253.23	252.87	251.27	250.56	253.23 (19/8)	236.21 (8/1)	253.23 (19/8/93)	4.46 (25/4/42)
Amex Mkt. Value	447.96	448.63	442.66	441.33	447.96 (19/8)	395.84 (8/1)	447.96 (19/8/93)	29.31 (9/12/72)
NASDAQ Composite	730.46	724.83	731.01	726.89	734.83 (18/8)	645.87 (26/4)	734.83 (18/8/93)	54.87 (31/10/72)

	Aug 13	Aug 6	Jul 30	year ago (approx.)
Dow Industrial Div. Yield	2.86	2.87	2.88	3.11
	Aug 18	**Aug 11**	**Aug 4**	**year ago (approx.)**
S & P Industrial div. yield	2.48	2.52	2.53	2.62
S & P Indl. P/E ratio	25.60	25.14	25.09	23.06

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Merck	7,541,000	33⅛	+ ⅝
Am T & T	6,161,900	58⅛	- 1½
Home Depot	5,278,700	41	- 1⅜
Philip Morris	5,231,800	50⅝	+ ½
Humana	4,891,300	13½	+ ⅜
Saul Centers	3,397,000	20	—
Pepsico	3,224,200	40½	+ 1¼
Gen Motors	3,054,300	45½	+ 1½
ROC Cmnty	2,808,600	22⅛	-
Bristol-Myers	2,789,100	58¾	+ ¼

TRADING ACTIVITY

† Volume Millions	Aug 19	Aug 18	Aug 17
New York SE	291.711	309.204	261.267
Amex	24.710	21.864	15.763
NASDAQ	289.171	331.840	273.526
NYSE			
Issues Traded	2,602	2,620	2,605
Rises	969	1,258	1,034
Falls	976	766	917
Unchanged	657	596	654
New Highs	122	173	148
New Lows	12	15	23

CANADA

TORONTO

	Aug 19	Aug 18	Aug 17	Aug 16	1993 HIGH	1993 LOW
Metals & Minerals	3119.92	3120.23	3119.31	3140.94	3140.94 (16/8)	2743.31 (21/1)
Composite	4069.60	4069.31	4032.51	4020.20	4069.60 (19/8)	3275.80 (21/1)
MONTREAL Portfolio	1937.97	1932.62	1918.33	1914.56	1939.10 (25/8)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Aug 20	Aug 19	Aug 18	Aug 17	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1927.1	1936.3	1894.7	1885.1	1927.10 (20/8)	1495.00 (13/1)
All Mining (1/1/80)	886.3	888.9	866.9	869.7	904.50 (2/8)	524.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	395.74	393.50	397.31	392.34	399.74 (20/8)	300.26 (14/1)
Traded Index (2/1/91)	1000.86	992.36	994.25	990.77	1000.70 (16/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1348.65	1355.10	1350.59	1357.58	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	333.79	340.58	332.64	331.50	340.58 (19/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1484.2	1492.9	1489.6	1447.1	1492.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	583.24	590.29	565.40	564.61	590.29 (19/8)	471.24 (13/1)
CAC 40 (31/12/87)	2126.20	2153.23	2160.75	2136.29	2167.35 (11/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	743.63	746.69	744.61	736.22	746.06 (19/8)	538.92 (14/1)
Commerzbank (1/12/53)	2118.50	2123.30	2120.50	2093.00	2123.80 (19/8)	1694.30 (14/1)
DAX (30/12/87)	1922.68	1938.93	1905.72	1910.17	1938.98 (19/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7545.36	7605.36	7560.97	7529.79	7605.36 (19/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1746.65	1754.24	1745.56	1717.32	1754.24 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	613.68	617.60	618.58	602.25	618.93 (18/8)	446.33 (8/1)
MIB General (4/1/93)	1350.0	1353.0	1362.0	1336.0	1362.00 (18/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20607.26	20687.47	20779.18	20241.58	21076.00 (3/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1659.19	1664.76	1675.48	1651.75	1698.04 (16/8)	1250.06 (25/1)
2nd Section (4/1/68)	2241.49	2245.47	2254.13	2260.16	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	805.51	790.82	791.02	784.51	805.51 (20/8)	614.28 (13/1)
NETHERLANDS						
CBS Tl Rtn Gen(End 1983)	375.2	376.3	370.0	372.0	373.30 (19/8)	295.70 (4/1)
CBS All Shr (End 1983)	246.2	246.9	246.7	244.6	246.30 (19/8)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	947.42	948.54	962.81	961.76	979.17 (13/8)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1775.76	1760.81	1767.60	1775.10	1782.30 (3/8)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	501.40	494.37	493.08	487.23	501.40 (20/8)	334.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1771.0♥	1735.0	1787.0	1754.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4614.0♥	4618.0	4568.0	4542.0	4719.00 (8/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	723.86	737.97	713.19	663.94	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	291.89	291.96†	290.46	286.86	291.96 (19/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1309.5	1326.3	1322.1	1301.9	1326.10 (18/8)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1065.0	1070.1	1072.0	1064.1	1072.60 (18/8)	904.80 (11/1)
SBC General (1/4/87)	848.50	852.60	853.20	846.70	853.20 (18/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4045.61	4093.41	4104.75	4122.16	5013.29 (7/4)	3083.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	953.53	955.05	958.41	945.22	958.44 (20/8)	818.24 (1/6)
WORLD						
MS Capital Intl (1/1/70) ◊	594.3*	602.0	601.5	595.9	602.00 (19/8)	498.60 (12/1)
Euro Top-100 (26/6/90)	1122.25	1128.10	1132.14	1114.79	1132.14 (18/8)	862.73 (13/1)

**Saturday August 14: Taiwan Weighted Price 4121.54, Korea Comp Ex. 666.57
♥ Subject to official recalculation. † Correction.
*Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000. JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Fisher-Price soars as Dow declines

Wall Street

US stock markets ended a busy week mostly in negative territory yesterday, undermined by falling bond prices, options-related selling and sporadic profit-taking, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 8.94 lower at 3,603.19. The Standard & Poor's 500 was down 0.95 at 455.48, while the Amex composite was up 0.34 at 448.30, and the Nasdaq composite down 0.25 at 730.23. Trading volume on the NYSE was 167m shares by 1 pm.

After three consecutive days of record-breaking gains, stocks finally took a breather, opening lower across the board in light trading. Dealers attributed the early declines to profit-taking, and to selling related to the monthly expiration of stock index options.

Sentiment was also undermined by the behaviour of the bond market. Treasury prices, which rose steadily all week, pushing yields to new historic lows in the process, reversed course yesterday. In early afternoon trading, the benchmark 30-year bond was down a quarter of a point, and the yield had edged up to 6.22 per cent.

Stocks which had been in demand midweek ran into profit-taking – consumer goods companies, for example. Philip Morris fell $⅝ to $50⅛. Coca-Cola slipped $¼ to $43½. Pepsico fell $⅝ to $39⅝. American Brands dropped $⅝ to $32⅝ and Procter & Gamble eased $⅛ to $48⅞.

Selected pharmaceutical stocks suffered a similar fate. Bristol-Myers Squibb fell $⅝ to $56, Merck eased $¾ to $32⅝, Johnson & Johnson slipped $½ to $39⅝ and Glaxo ADRs eased $¼ to $17½.

Fisher-Price soared $8 to $31⅝ in reaction to Thursday's late announcement that it is being taken over by Mattel in a $1.1bn stock swap. The news left Mattel up $¼ at $25⅞. Hasbro, which now has a rival of comparable size in the toy industry, fell $¼ to $36⅞ on the American Stock Exchange.

Dr Pepper/Seven-Up jumped $2⅛ to $19¼ after Cadbury Schweppes, the UK confectionery and soft drinks group, bought Prudential Insurance's stake for $231.3m, upping its stake in the US soft drinks group from 5.7 per cent to 25.9 per cent. Cadbury ADRs, traded on the Nasdaq market, fell $½ to $29⅛.

Elsewhere on the Nasdaq, leading technology stocks were mixed. Borland International rose $1⅛ to $19 and Microsoft added $1⅛ at $75½, but Apple Computer fell $⅛ to $27⅛ and Intel eased $⅛ to $63⅝.

Canada

TORONTO was weaker at midday in subdued dealings. The TSE-300 composite index was off 10.44 at 4,059.15 in volume of 24m shares.

There were steeper falls in some of the sub-indices with oil and gas down 21.91 at 4,954.22 and industrial products 18.78 lower at 2,356.67.

EUROPE

Mixed fortunes leave senior bourses upset

PROFIT-taking, caution and the occasional disappointment gave bourses an uncomfortable afternoon in share price terms, *writes Our Markets Staff.*

PARIS rallied late in the session to close just above the key chart point of 2,123, the CAC-40 index losing 11.00 to 2,128.20, off nearly 1 per cent on the week. Turnover was FFr2.9bn.

Alcatel Alsthom remained one of the most heavily traded stocks on news that its joint venture with GEC of the UK had won the $2.4bn contract to build a high-speed train network in South Korea. Investors chose this moment to take profits after the shares had improved some 4 per cent over the week; they closed down FFr2 at FFr732, but off the day's low of FFr722.

Mr Michael Woodcock of Nikko Europe in London commented that while this had been an important contract to win, the joint venture had cut its initial bid substantially to secure the deal, which would result in low margins.

Reports of a fall in the oil price in New York kept Elf Aquitaine and Total subdued, the former losing FFr5.30 to FFr436.20 and the latter FFr7 to FFr302.10.

FRANKFURT's official close was bracketed by late selling on the triple expiry of DTB options contracts. The DAX index closed 16.30 lower at 1,922.68 on the session, still 0.8 per cent up on the week; but the Ibis-indicated DAX sagged to 1,909.60 in the post-bourse.

Turnover fell from DM10.2bn to DM8bn. The market's big three, Deutsche Bank, Daimler and Siemens, saw losses of DM4 to DM784, just 50 pfg to DM736 and DM8.90 to DM682.60 extended later as they closed at DM777, DM728.50, and DM674 in the London afternoon.

Siemens, down 2.5 per cent overall, was hit by the loss of the South Korean railway order to GEC-Alsthom. Its subsidiary, AEG, lost DM6.70 to DM174.80 in sympathy during the official session, although it had picked up strongly on a domestic train contract earlier in the week.

Viag continued to gain on the pending merger with Bayernwerk, rising DM12.50 to DM471; Mannesmann lost DM8 more to DM325.20 on Thursday's dismal results, for a two day loss of 4.8 per cent; and MAN fell DM6 to DM331, slightly in advance of poor German truck sales figures for July.

AMSTERDAM slipped back slightly on options expiry but brokers said that sentiment remained positive. The CBS Tendency general index weakened 0.6 to 127.9, unchanged on the week.

The publishing sector continued to be firm with Elsevier putting on another 40 cents to Fl 144.40, a week's improvement of 10 per cent, and Wolters Kluwer adding Fl 1.50 to Fl 97.50.

Nedlloyd fell Fl 3.90 to FL 42, but brokers put this down to technical trading on the expiry of August options.

MILAN saw activity again concentrated broadly in the telecommunications sector as the Comit index closed down 3.92 at 613.68, a gain of 4.2 per cent on the week.

Sip and Stet both rose by L53, to L3,618 and L4,550 respectively.

Robert Fleming's Italian strategy team commented this week that the market's rally over the last three months has been driven mainly by falls in bond yields.

However, against a backdrop of falling European interest rates, the team added, the expectation is for the index to stabilise around the 580-600 level. "Indications of earnings recovery from industrial companies will not come through unti the second quarter of 1994, which is when we expect the market to start a second positive phase," they said.

BRUSSELS ended with the Bel 20 index down 8.41 on the day, and 0.8 per cent on the week at 1,346.69. Turnover was around BFr960m, excluding a BFr1.4bn off-bourse trade in Banque Bruxelles Lambert reported to the stock exchange before the opening.

The insurance company, Groupe AG, which sold the share block to its Swiss counterpart, Winterthur, closed BFr30 lower at BFr2,620. BBL, which had risen 4.5 per cent to BFr4,100 on Thursday, reacted to the deal with a loss of BFr150 at BFr3,950.

STOCKHOLM saw profit-taking pull the market down, with the Affärsvärlden general index off 16.7 at 1,309.5, a gain over the week of 1.2 per cent.

Turnover was down to SKr1.9bn from Thursday's SKr2.9bn.

Disappointing half year results from Investor also discouraged investors, with the B shares dipping SKr7 to SKr144.

HELSINKI blamed profit-taking as the Hex index fell 25.70 to 1,464.20, still 1.6 per cent up on the week. In the banking sector, KOP fell FM1.3 to FM16 after Thursday's rights issue announcement.

VIENNA edged higher, while there were strong performances from Wienerberger, the building materials group, gaining Sch45 to Sch3,585, and Creditanstalt, up Sch4 to a new year's high of Sch737. The ATX index rose 1.30 to 1,000.36, unchanged on the week.

ISTANBUL finished the week another 2.1 per cent higher on buying of some underperforming blue chip stocks. For instance, Ergeli, the steel group, added TL175 to TL1,925. The composite index ended 234 better at 11,149, an improvement of 14.5 per cent on the week.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

August 20

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1304.63	1304.26	1303.80	1303.33	1302.58	1300.52	1298.38	1297.31
FT-SE Eurotrack 200	1386.59	1387.46	1385.07	1384.97	1385.59	1383.35	1380.31	1380.12

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 13
FT-SE Eurotrack 100	1304.07	1303.09	1284.89	1276.32	1276.24
FT-SE Eurotrack 200	1385.51	1387.63	1368.15	1359.35	1354.67

Base value 1000 (26/10/90) High/day: 100 - 1304.63; 200 - 1387.97 Low/day: 100 - 1296.28 200 - 1378.54

SOUTH AFRICA

GOLD shares came off earlier lows in reaction to bullion's late rise. The gold index lost 28 to 1,771 and the overall fell back 30 to 4,044. The industrial index shed 4 to 4,614. De Beers lost R1.25 to R85.75 and Vaal Reefs R7 to R345.

Arguments range over Swiss share prospects

Ian Rodger on the high-performance Zurich bourse

The all-share Swiss Performance Index (SPI) climbed to new record heights in heavy volume this week. While it eased over the last two days to 1,566.51 by yesterday's close, it still finished 0.6 per cent up on the week, bringing its advance this year to an impressive 26.5 per cent.

Ironically, this latest show of strength came just after an influential broker, London's James Capel, had launched what looked like the definitive tract on why the great Swiss bull run, like all good things, was coming to an end.

The Capel argument was that the Swiss market might still not be that expensive, but it would now enter a phase in which it would not perform relatively as well as others, especially the German market.

This was because the Swiss market was composed mainly of defensive and interest rate-sensitive shares. Now that economic recovery was in prospect, investors would turn increasingly to cyclical shares and thus to markets, such as Germany, in which cyclicals were heavily represented.

Other Swiss market analysts accept the logic of the Capel argument. "I agree that it is not a good market for cyclicals," says Mr Attela Molnar, head of investment strategy at Swiss Bank Corporation.

Where opinions differ is on the timing and the extent of any reduction in the weighting of Swiss equities. Some Swiss advisers, such as those at Swiss Volksbank, for example, have already reduced their recommended weighting of Swiss shares in European portfolios.

"In terms of valuation, the Swiss market is still attractive," Mr Urs Brunner, head of the bank's Swiss equity research team, says. "But Switzerland does not have the same potential on the interest rate side as Germany and France."

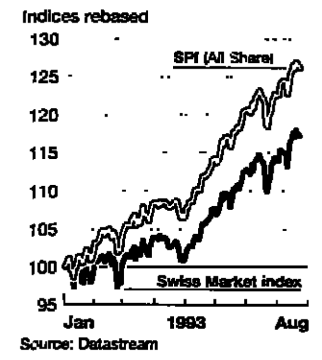
Mr Molnar says that SBC has dampened its recommendation from heavily overweight last year to neutral.

Others are less sure that the time has come to switch, and they were reinforced in their view by Thursday's announcement of flat profits by the big transnational engineering group ABB Asea Brown Boveri.

Shares in Brown Boveri, the Swiss member of the Swedish-Swiss group, have risen sharply in recent months in anticipation of economic recovery in Europe, but they fell SFr18 on the news, and SFr11 more to SFr920 yesterday.

Some analysts say there could be more disappointments like that one in the next few months. "So many people have been afraid of missing the cyclicals train that they have jumped on too soon," Mr Beat Philipp, head of research at Bank Vontobel in Zurich says. "We think there is still too much fantasy in the prices of some cyclicals."

Switzerland



Source: Datastream

Mr Molnar adds that when the economic recovery in Europe does come, it will probably be weak and slow to develop, just like that in the US.

Mr Philipp argues that the Swiss market will continue to perform well, even relatively well, for some time to come, citing its still modest valuations and supportive inflation and interest rate trends.

"In any European portfolio, we think investors would be well advised to have Switzerland fully weighted," he says.

He estimates that the market is valued at only 12 to 13 times prospective 1994 earnings, well below the level of the German market. Moreover, the potential for further liquidity-driven gains may still be considerable, as fixed-term bank deposits remain at about double the normal level for Switzerland.

Mr Philipp and others agree that this liquidity does not have to flow into Swiss equities, but they believe that much of it will, partly because Swiss institutions are still in the process of increasing the weighting of equities in their portfolios.

Also "some people still want to have some of their investments in Swiss francs, and it is no longer sensible to buy bonds," said Mr Jean-Max Villar, an analyst at Lombard Odier in Geneva.

Swiss analysts see the momentum in the market now being taken up again by the traditional defensive stocks, Nestlé, which has recovered smartly from a weak spell in July, the big three pharmaceutical groups and especially the big three banks.

They point out that the SMI index, which is dominated by these shares, has advanced significantly less than the all-share SPI this year. And the bank shares, in spite of big rises, are still on price-earnings ratios below that of the market as a whole.

Sparkling interim reports from Union Bank of Switzerland and Credit Suisse in the past week have made the bank share prices look even more modest, some analysts say. Both reported pre-tax profit gains of over 50 per cent. As the banks are still having to make very large provisions for bad loans, their potential for further big profit gains in the next couple of years seems strong.

For all its defensive nature, the Swiss market has its risks. The strong downward trend of Swiss interest rates has been helped by turmoil in other European currencies. Now that leading European currencies seem to face a calmer period, the franc could lose some of its premium rating.

ASIA PACIFIC

Nikkei down in fourth consecutive session

Tokyo

A SHARP fall both in the yen and bond prices triggered profit-taking, and share prices lost ground for the fourth consecutive day, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell 80.21 to 20,607.26, down 0.7 per cent on the week, after a high of 20,859.49 in the morning and a low of 20,586.56 in the late afternoon. Brokers were seen clearing positions ahead of the weekend, while some foreign investors supported share prices.

Volume remained below 300m shares for the third day, at 230m against 253m. Declines led advances by 501 to 442, with 206 unchanged. The Topix index of all first section stocks fell 5.57 to 1,659.19 and, in London, the ISE/Nikkei 50 index rose 1.58 to 1,267.89.

The yen's decline against the dollar caused mixed reactions. Local newspapers reported that overnight intervention by the US on the currency markets, buying dollars against the yen, was the result of an agreement between the US and Japan regarding an imminent cut in Japan's official discount rate. Mr Jiro Saito, vice-minister of finance, later denied such an accord.

Most investors turned pessimistic over an imminent easing of monetary policy, with interest rate-sensitive banks and large-capital issues losing ground. Industrial Bank of Japan fell Y50 to Y3,370 and Mitsubishi Bank lost Y60 to Y2,870. Steels were also lower, with Nippon Steel down Y4 to Y376 and Kawasaki Steel falling Y3 to Y365.

Ricoh, the office automation machinery maker, was once again the most active issue of the day, rising Y16 to Y815.

High-technology issues were higher on the falling yen. Fujitsu rose Y14 to Y780 and Sony gained Y110 to Y4,460.

In Osaka, the OSE average fell 21.20 to 22,534.63 in volume of 90.2m shares.

Roundup

THERE was some profit-taking among Pacific Rim markets yesterday.

HONG KONG fell back from its recent rally on profit-taking and disappointment over Hang Seng Bank's interim profits which came after Thursday's close. The Hang Seng index shed 59.90 to 7,545.36, up 2 per cent on the week.

Hang Seng Bank fell HK$3.50 to HK$57.50 in turnover of HK$537m, while HSBC, the parent group, lost HK$1.50 to HK$83.50.

Cheung Kong, which reported increased interim profits on Thursday, gained 40 cents to HK$28.30 and its affiliate, Hutchison, 10 cents to HK$23.00.

SINGAPORE soared on institutional buying, the Straits Times Industrial index closing 23.49 higher at a record closing high of 1,972.27. The index has put on 2.8 per cent over the week.

Property stocks were active with City Developments up 38 cents to S$4.92.

NEW ZEALAND was a shade weaker as some investors chose to take profits. The NZSE-40 capital index shed 0.66 to 2,018.52 for a gain on the week of 8.5 per cent. Turnover fell back to NZ$85m from Thursday's exceptional NZ$142m.

MANILA was pulled higher by strength in Philippine Long Distance Telephone, up 30 pesos to 1,165 pesos, which had seen gains in New York overnight trading. The composite index put on 14.92 to 1,775.76, up 0.9 per cent on the week.

BOMBAY closed higher in spite of some end-of-session profit-taking triggered by disappointment over the dividend of the heavily-traded Reliance Industries. The BSE index advanced 57.39 to 2,758.14 as Reliance fell Rp3 to Rp272.

TAIWAN extended early losses to close lower across the board. The weighted index lost 47.80 to 4,045.61 in turnover of T$15.9bn, a week's loss of 1.8 per cent.

JAKARTA's JKSE index ended another 3.09 higher at a new 1993 high of 387.91, 2.1 per cent higher on the week in moderate trade, reflecting positive domestic sentiment.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	THURSDAY AUGUST 19 1993								WEDNESDAY AUGUST 18 1993					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	146.26	+1.5	144.03	98.29	128.24	144.12	+1.6	3.49	144.12	141.27	92.47	126.07	141.87	146.26	117.39	132.02
Austria (17)	168.54	+0.4	165.98	110.96	147.78	147.88	+0.7	1.31	167.86	164.54	107.70	146.83	146.85	168.54	131.16	150.26
Belgium (42)	152.51	+0.4	150.18	100.39	133.72	132.95	-0.2	4.31	151.91	148.91	97.46	132.88	133.18	156.76	131.19	144.86
Canada (108)	126.11	+0.1	124.19	83.02	110.56	120.44	+0.1	2.81	125.86	123.47	80.81	110.17	120.35	130.38	111.41	126.74
Denmark (33)	226.90	+2.8	223.45	149.38	198.95	212.55	+2.7	1.06	220.77	216.40	141.65	193.11	206.88	226.90	185.11	225.91
Finland (23)	118.56	+1.0	116.75	78.06	103.95	143.69	+0.4	0.84	117.40	115.07	75.32	102.69	143.14	118.56	65.50	65.96
France (97)	163.06	-0.5	160.58	107.34	142.96	150.84	-0.8	3.06	163.96	160.71	105.19	143.41	152.06	167.36	142.72	156.39
Germany (60)	124.86	-0.1	122.96	82.21	109.47	109.47	+0.2	1.93	124.94	122.47	80.17	109.29	109.29	124.94	101.59	115.07
Hong Kong (55)	300.14	+0.5	295.57	197.59	263.17	298.50	+0.5	3.19	298.60	292.70	191.58	261.21	297.14	301.61	218.82	226.55
Ireland (15)	171.67	+0.6	169.06	113.02	150.52	172.84	+0.4	3.22	170.70	167.33	109.52	149.32	172.18	171.67	129.28	159.08
Italy (70)	76.24	-0.1	75.08	50.19	66.84	90.82	-0.4	1.80	76.34	74.83	48.98	66.78	91.20	78.34	53.78	64.25
Japan (470)	158.85	-3.1	156.43	104.58	139.30	104.58	-0.6	0.79	164.00	160.75	105.22	143.47	105.22	165.91	100.75	92.47
Malaysia (69)	375.14	+1.2	369.43	246.96	328.91	368.13	+1.2	1.86	370.61	363.29	237.78	324.18	363.62	375.14	251.66	226.35
Mexico (19)	1703.44	-0.3	1677.52	1121.46	1493.59	5791.30	-0.3	0.85	1709.00	1675.20	1096.49	1494.91	5809.26	1725.81	1410.30	1342.05
Netherland (24)	179.47	-0.1	176.74	118.15	157.36	155.39	+0.1	3.47	179.61	176.06	115.24	157.11	155.18	179.61	150.39	163.92
New Zealand (13)	62.98	+3.8	62.03	41.47	55.23	60.25	+3.7	3.70	60.68	59.48	38.94	53.08	58.08	62.98	40.56	43.13
Norway (22)	173.89	-1.9	171.24	114.48	152.47	172.42	-2.0	1.53	177.31	173.80	113.76	155.10	175.86	177.31	137.71	145.32
Singapore (38)	276.28	+0.7	272.08	181.89	242.24	204.35	+0.6	1.69	274.40	268.98	176.06	240.02	203.08	276.28	207.04	182.52
South Africa (60)	200.53	+1.1	197.48	132.02	175.82	204.03	+1.3	2.52	198.40	194.48	127.29	173.54	201.43	215.29	144.72	191.48
Spain (43)	133.11	+1.5	131.08	87.64	116.71	138.30	+0.5	4.12	131.12	128.53	84.13	114.70	137.68	133.11	115.23	136.84
Sweden (36)	192.89	-1.7	189.95	126.99	169.13	227.44	-0.8	1.48	196.23	192.35	125.90	171.65	229.28	196.23	149.70	179.47
Switzerland (50)	134.67	-0.1	132.62	88.66	118.09	123.98	-0.3	1.75	134.81	132.14	86.50	117.93	124.32	134.81	108.91	110.59
United Kingdom (218)	189.00	-0.7	185.14	123.76	164.82	185.14	-0.3	3.78	189.35	185.61	121.48	165.62	185.61	189.35	162.00	181.07
USA (520)	186.68	+0.1	183.84	122.91	163.69	186.68	+0.1	2.74	186.56	182.87	119.70	163.19	186.56	186.68	175.38	170.42
Europe (750)	155.91	-0.3	153.54	102.64	136.71	148.78	-0.2	3.01	156.45	153.36	100.38	136.86	149.08	156.45	133.92	145.49
Nordic (114)	182.50	-0.4	179.72	120.15	160.02	189.71	+0.0	1.31	183.23	179.61	117.56	160.28	189.62	183.23	142.13	165.17
Pacific Basin (714)	162.34	-2.7	160.36	107.21	142.78	111.83	-0.4	1.05	167.29	163.98	107.33	146.33	112.29	168.80	105.89	98.23
Euro-Pacific (1464)	159.88	-1.7	157.45	105.25	140.18	126.79	-0.3	1.83	162.72	159.50	104.39	142.33	127.21	162.72	117.26	117.34
North America (628)	182.92	+0.1	180.13	120.44	160.41	182.17	+0.1	2.74	182.79	179.17	117.29	159.92	182.05	182.92	171.51	167.68
Europe Ex. UK (532)	135.77	-0.1	133.70	89.40	119.07	127.57	-0.2	2.49	135.90	133.21	87.21	118.90	127.78	135.90	112.51	123.98
Pacific Ex. Japan (244)	202.50	+1.1	199.42	133.33	177.57	186.95	+1.1	2.96	200.33	196.37	128.55	175.26	184.95	202.50	152.70	154.93
World Ex. US (1651)	160.11	-1.6	157.67	105.42	140.39	128.66	-0.3	1.86	162.78	159.56	104.45	142.40	129.24	162.78	118.51	119.21
World Ex. UK (1953)	166.32	-1.0	163.49	109.30	145.58	143.04	-0.2	2.02	167.77	164.45	107.65	146.77	143.26	167.77	134.22	131.26
World Ex. So. Af. (2111)	167.65	-1.0	165.30	110.51	147.18	146.33	-0.2	2.18	169.60	166.25	108.83	148.37	146.59	169.60	137.29	135.24
World Ex. Japan (1701)	174.85	+0.0	172.19	115.12	153.33	170.67	+0.0	2.83	174.86	171.40	112.20	152.98	170.58	174.86	157.47	159.49
The World Index (2171)	167.56	-1.0	165.40	110.58	147.28	146.83	-0.2	2.19	169.68	166.32	108.87	148.43	147.07	169.68	137.32	135.56

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	100xd		100¼	99⅝	6.00	-
Treas 13½pc 1993‡‡	102		108⅛	101½	13.48	5.54
8½pc 1994	101⅞		102⅞	101⅛	8.38	5.48
14½pc 1994‡‡	104⅝xd	-⅛	109¼	104⅝	13.85	5.44
Exch 13½pc 1994	105⅛	-⅛	109⅛	105⅛	12.82	5.41
Treas 10pc Ln 1994‡‡	103⅝	-⅛	105⅝	103⅝	9.66	5.42
Exch 12½pc 1994	106⅞	-⅛	110⅞	106⅞	11.70	5.36
Treas 9pc 1994‡‡	104⅛		105⅝	103⅝	8.64	5.41
12pc 1995	108⅝		111⅝	108⅝	11.03	5.49
Exch 3pc Gas 90-95	96⅝	-⅛	97	94	3.10	4.86
10¼pc 1995	108¼		109⅞	107⅛	9.47	5.63
Treas 12¾pc 1995‡‡	114⅝		116⅞	113⅝	11.14	5.74
14pc 1996	117⅝	-⅛	120⅝	117⅛	11.87	5.88
15¼pc 1996‡‡	122⅝		125⅝	121⅝	12.44	6.03
Exch 13¼pc 1996‡‡	117⅝	-⅛	120⅛	116½	11.23	5.99
Conversion 10pc 1996	111⅛	-⅛	111½	108⅞	9.01	6.16
Treas 13¼pc 1997‡‡	120⅞	-⅛	122⅞	118⅝	10.96	6.32
Exch 10½pc 1997	113xd	-⅛	113⅝	110⅞	9.28	6.29
Treas 8¾pc 1997‡‡	108⅝xd	-⅛	109	105½	8.07	6.31
Exch 15pc 1997	130⅛	-⅛	132⅝	127⅝	11.52	6.59
9¾pc 1998	112⅞	-⅛	112⅝	109⅛	8.68	6.48
Treas 7¼pc 1998‡‡	103⅝	-⅛	103⅞	99⅝	7.02	6.39
7¼pc 1998 A‡‡	103⅛	-⅛	103⅝	99⅞	7.02	6.40
7¼pc 1998 B‡‡	55⅝	-⅛	56⅝	54½	7.03	6.41
Treas 6¾pc 1995-98‡‡	101		101¼	97⅝	6.68	6.06
14pc '98-1	128⅝	-⅛	129½	125⅛	10.90	6.86
Five to Fifteen Years						
Treas 15½pc '98‡‡	137⅝	-⅛	138⅝	133⅝	11.28	6.70
Exch 12pc 1998	122⅛	-⅛	123⅛	118⅞	9.79	6.79
Treas 9½pc 1999‡‡	112⅝	-¼	113⅝	108⅛	8.42	6.61
Exch 12¼pc 1999	124⅝xd	-⅛	125⅛	120⅛	9.83	6.86
Treas 10½pc 1999	117⅝	-⅛	118⅛	112⅝	8.92	6.72
Conversion 10¼pc 1999	117⅞	-⅛	118⅛	112⅛	8.71	6.74
9pc 2000‡‡	111⅝xd	-⅛	112⅝	106	8.04	6.88
Treas 13pc 2000	132⅛	-⅛	132⅝	125½	9.84	7.02
10pc 2001	117⅛xd	-⅛	118¼	109⅝	8.53	6.98
7pc '01‡17¼P/P‡‡	20⅝	-⅛	21⅝	17⅝	6.97	6.88
9¾pc 2002	117⅛xd	-⅛	118½	108⅛	8.31	7.07

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
8pc 2003‡‡	107⅛	-⅛	108⅝	97⅝	7.46	6.95
8pc 2003 A‡‡	107⅛	-⅛	108⅝	102⅝	7.47	6.96
10pc 2003	120⅝xd	-⅛	121⅛	109⅝	8.30	7.10
Treas 11½pc 2001-4	124⅝xd	-⅛	125⅝	116⅝	9.25	7.27
Funding 3½pc '99-4	79⅝	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 9½pc 2004	117⅛	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
9½pc 2005	117⅝	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	135⅛	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡	104xd	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
8pc 2002-6‡‡	105½	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7	128⅝	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007 ‡‡	110⅛	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
8½pc 2007 C‡‡	28⅛	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
13½pc '04-8	143⅛xd	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
Treas 9pc 2008 ‡‡	114⅞	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
9pc 2008 ‡‡	71⅛	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
8pc 2009	105⅝xd	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9pc Ln 2011 ‡‡	115⅝	-¼	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2012‡‡	116⅝	-½	[illegible]	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡	84¼xd	-¼	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2013‡‡	106⅛	-¼	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2012-15‡‡	104½	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 2017‡‡	115⅝xd	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc '13-'17	145⅞	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
Consols 4pc	53⅛	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡	47¼	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft	66⅛		[illegible]	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft	38⅝	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Consols 2½pc	34⅝	-⅛	[illegible]	[illegible]	[illegible]	[illegible]
Treas. 2½pc	33⅝	-⅛	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked						
Treas 2pc '94 (102.9)	134⅛	-⅛	134¼	131⅝	-	0.42
2pc '96 (67.9)	198⅛xd	-⅛	199⅛	194⅛	1.58	2.47
4⅝pc '98‡‡ (135.6)	109⅛	-⅛	109½	105⅞	2.03	2.68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1992: 139.2 and for July 1993: 140.7.

OTHER FIXED INTEREST

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Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Labs		17[illegible]xd	+[illegible]	20[illegible]	15[illegible]	14,593	2.6
Allegheny & W	♥	647p	-39	722p	389p	338.2	3.1
Amdahl		349p	-[illegible]	891p	302½p	390.8	1.0
Amer Cyanamid		34[illegible]	+1[illegible]	38[illegible]	31[illegible]	3,087	3.4
Amer Express		22[illegible]xd	-[illegible]	22[illegible]	14[illegible]	10,647	3.0
Amer T & T		38[illegible]xd	-[illegible]	43[illegible]	33[illegible]	61,450	2.3
AmerTech		53½	-[illegible]	58[illegible]	46	23,424	4.7
Anheuser-Busch $		37[illegible]	+[illegible]	41[illegible]	30[illegible]	8,613	2.9
BankAmerica		30½xd	—	38[illegible]	27[illegible]	10,849	3.1
Bankers NY		52[illegible]xd	+[illegible]	54[illegible]	42[illegible]	4,183	4.0
Bell Atlantic		37[illegible]	-[illegible]	40[illegible]	32[illegible]	16,128	4.8
BellSouth		36½	+[illegible]	38[illegible]	32[illegible]	18,031	5.1
Bethlehem Steel	♥	9[illegible]xd	+[illegible]	13[illegible]	8[illegible]	825.9	–
Bowater		1344pxd	-1	1682p	1287p	487.0	3.0
CPC		29[illegible]xd	+[illegible]	34[illegible]	26	4,515	2.9
California Engy		1232p	—	1478p	1086p	224.3	–
Chase Manhattan		20[illegible]xd	-2[illegible]	24½	17[illegible]	3,147	4.0
Chrysler		27[illegible]xd	+[illegible]	32[illegible]	21[illegible]	8,181	1.4
Citicorp		21[illegible]xd	+[illegible]	22[illegible]	13[illegible]	7,996	–
Colgate-Palm		34[illegible]xd	+½	45[illegible]	32	5,488	2.8
Cont'l Bank		1564p	—	1677p	1276p	1,690	2.5
Dana		36[illegible]xd	+[illegible]	37[illegible]	29[illegible]	1,673	3.0
Data General		608p	+12	961p	527p	167.2	–
Decora Inds.	♥	109p	—	149p	109p	–	–
Dun & Brad		39[illegible]	+[illegible]	42[illegible]	37[illegible]	7,084	4.2
Eaton		31[illegible]	+[illegible]	31[illegible]	25[illegible]	2,174	2.6
Echlin		19[illegible]xd	+[illegible]	20½	15[illegible]	1,129	2.4
FPL		28[illegible]xd	+[illegible]	27[illegible]	23[illegible]	4,803	6.3
Ford Motor		33[illegible]xd	+[illegible]	38½	28[illegible]	16,504	2.0
Gen Elect		64xd	-[illegible]	67[illegible]	53[illegible]	54,658	2.7
General Host	♥	455p	-23	723p	456p	–	5.3
Gillette		36[illegible]xd	+[illegible]	42[illegible]	31[illegible]	8,048	1.5
Hasbro		20[illegible]	—	20[illegible]	20[illegible]	1,819	0.8
Honeywell		25[illegible]xd	+[illegible]	26½	20[illegible]	3,458	2.4
Houston Inds		30	+[illegible]	33[illegible]	28[illegible]	3,886	6.7
Ingersoll-Rand		24[illegible]xd	+[illegible]	25	19[illegible]	2,533	1.9
Lockheed		41[illegible]	+[illegible]	45[illegible]	35[illegible]	2,654	3.4
Lowe's		2704p	+55	2749p	1573p	1,972	0.8
Maxwy Technology		285p	+11	330p	127p	–	–
Merrill Lynch		60[illegible]xd	+1[illegible]	60[illegible]	37	6,304	1.6
Morgan (JP)		46[illegible]xd	-[illegible]	50[illegible]	38[illegible]	9,317	3.3
Morris (Philip)		33[illegible]xd	+[illegible]	52[illegible]	30[illegible]	29,467	5.2
NYNEX		58[illegible]	-1	64[illegible]	52[illegible]	12,057	5.4
Pall		11[illegible]	—	15	10[illegible]	1,334	1.9
Pennzoil		45½xd	—	46[illegible]	31[illegible]	1,853	4.4
Quaker Oats		45[illegible]xd	-[illegible]	50[illegible]	39[illegible]	3,289	2.8
Questar		125p	-7	229p	161½p	13.1	–
Rockwell		23[illegible]xd	+[illegible]	23[illegible]	18[illegible]	5,071	2.9
Rep NY		35[illegible]xd	-[illegible]	37[illegible]	29[illegible]	1,835	2.1
Sears, Roebuck		35[illegible]	+½	36[illegible]	18[illegible]	9,241	3.0
Sthwestern Bell	h	27½	-[illegible]	28½	23[illegible]	16,493	3.7
Sun Co		17[illegible]xd	+[illegible]	21[illegible]	14[illegible]	1,889	6.7
Tenneco		34[illegible]xd	+[illegible]	35	25½	6,779	3.1
Texaco		42xd	+[illegible]	44[illegible]	37[illegible]	10,867	5.1
Time Warner		25[illegible]xd	+[illegible]	26[illegible]	18[illegible]	9,487	0.8
Unitab	♥	481p	+2	484p	358p	219.0	–
US West		29[illegible]	-[illegible]	31[illegible]	24[illegible]	12,330	4.8
Varity		2405p	-20	2487p	1686p	727.6	–
WMX Technologies		20[illegible]xd	-[illegible]	27[illegible]	19[illegible]	9,902	2.0
Whirlpool		4272pxd	+5	4485p	2824p	2,988	1.9
Woolworth	♥	16[illegible]	+[illegible]	21½	16[illegible]	2,224	4.6

CANADIANS

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ENGINEERING-GENERAL - Cont.

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FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Ptg	♣	221	-1	225	136	–	227.0	2.2
Warrants		488	—	505	225	–	–	–
Scot East	♣□	79	+1	81½	63½	2.4	89.8	12.3
Scottish Inv	♣†□	218	—	221	183	2.7	248.5	13.1
Warrants	□	66	+½	67	38	–	–	–
Scot Mortgage	♣□	221½	+½	225	178	2.3	242.4	8.6
Scot National Inc	♣K□	97xd	+1	97	83	9.7	–	–
Cap	□	33	—	38	18	–	94.5	88.8
Stepped Pf		158¼xd	-½	159½	150¼	4.9	–	–
Zero Div Pf		225	+½	225	207	–	–	–
Warrants		4½	+¼	5	2½	–	–	–
Scot Value	†a□	92	-½	92½	71	2.4	92.1	0.1
Sec Alliance	♣†	1590	—	1592	1390	2.8	1695.0	6.2
Second Consid	□	187	—	188	88	–	210.6	11.2
Second HGSC	□	103	—	104	101	–	–	–
Second Market	♣a	375	—	378	258	0.7	389.3	3.7
Sec Tst Scot	♣□	88	+½	88	74½	4.6	89.0	1.3
Select Assets	□	158	—	157	109½	1.8	179.5	13.1
Eq Ind Serl		147	+1	147	126	3.6	–	–
Eq Ind Serl		147	+1	147	128	3.6	–	–
SHIRESCOT	♣u	140xd	+1	140	104	4.7	138.1	0.7
Shires	♣M	283	+1	284	231	7.4	278.3	-1.7
Siam Select		149	—	150	97	0.8	160.4	9.0
Warrants		46	—	49	15	–	–	–
Smaller Cos	□	130	—	130	78	2.5	126.4	-2.9
Warrants		51	+1	51	14	–	–	–
Sphere Inc	□	34	+½	35	14	[illegible]	[illegible]	[illegible]

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

	Notes	Price
Barings 8pc Cm 2nd Prf.		112½
9¾pc Non-Cum Prf		133½
Close Bros	gt	418
Hambros	♣□	376
7½pc Cv Pf		198
Joseph (L)	♣	363
Kleinwort Benson	†□	508xd
Rea Bros	♣†□	52
Schroders	♣h	1195
N/V	h	1118
Singer & Fried	♣□	80
Warburg (SG)	♣N□	808
8pc Cv Pf		283
Wintrust	♣	290xd

METALS & METAL FORMING

	Notes	Price
ASW	N□	234
Apollo Metals	†	104
Ash & Lacy	♣	152
Billiton (J)		251
Brit Steel	N□	111

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Europa Mnls	N□	38	...	42	15	18.3	–
Glencar Expl I£	‡‡	11	...	12	6	2.03	–
Greenwich Res	♣□	15	...	22¼	5	11.7	–
Hemlo Gold C$		£5⅞	-⅛	£8½	£3½	568.5	1.6
Ivernia West I£	‡‡□	42	—	57	31	21.1	–
Kells Mnls I£	‡‡	12	...	13	6	0.29	–
Kenmare	♣□	9½	...	13½	6	9.51	–
Malinga Res		7½	-½	25½	7½	0.83	–
Navan Res I£	♣	102	—	102	25	17.4	–
5pc Ln Notes		94½	...	94½	25	17.1	–
Oryx Gold		78⅛	...	78⅛	47	–	–
‡‡Ovoca Res I£		8		8	3½	0.56	–
RTZ	♣N□	697	+9	709	607	7,200	3.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ⁂ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

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FINANCIAL TIMES
Weekend August 21/August 22 1993

Peace envoys urge EC to administer disputed city of Mostar

Bosnian peace deal proposed

By Laura Silber in Geneva, Gillian Tett in London and Michael Littlejohns in New York

INTERNATIONAL mediators appealed to the European Commission yesterday to administer the disputed central Bosnian city of Mostar as part of a peace package to end the 17-month war.

The appeal came as peace mediators in Geneva presented the three sides in the conflict with a compromise plan for the ethnic partition of Bosnia, and warned the Bosnian Moslems that they must accept the proposal or face more war.

The talks have now been adjourned for 10 days to allow the three sides to discuss the latest plan with their respective parliaments.

The Serb and Croat delegations said they accepted the new map for the partition, and welcomed the proposals as a step towards ending the war.

But amid signs that Mr Alija Izetbegovic, Bosnian president, had rejected the proposals, the Bosnian delegation accused the mediators of rewarding Serb and Croat conquests.

The compromise map, broadly similar to previous proposals presented by Serb and Croat leaders, gives the Bosnians up to 30 per cent of the land, placing Sarajevo, the capital, under UN administration. Mostar is provisionally labled as an Commission-controlled city, although Lord Owen, the EC mediator, said the Commission had not yet agreed to accept this task.

Lord Owen denied he had caved in to Serb and Croat pressures and said there was no ideal solution to the Bosnian conflict. "It's not as generous as I would have liked but they [the Moslems] got 30 per cent which was the criterion which we set two months ago," he said.

Mr Thorvald Stoltenberg, the UN mediator, will fly to New York early next week to report Mr Boutros Boutros Ghali, the UN secretary-general. Implementation of the peace plan would require 40,000 UN peacekeeping troops, Mr Stoltenberg said.

The UN high commissioner for refugees (UNHCR) yesterday accused Croats of carrying out new atrocities against the Bosnian Moslems "as brutal as any so far witnessed" during the war.

In a strongly worded statement, the UNHCR said that in recent weeks the Bosnian Croat forces had conducted a campaign of "brutal ethnic cleansing, murder, looting, rape and other abuses" against Moslems in south-western Bosnia.

The Croat leadership vehemently denied the allegations. Its protests were discounted by UN officials, who said that up to 15,000 draft-age Moslem men were now being held in detention centres in western Bosnia, after Bosnian Croat forces rounded up men from Mostar and other towns during July and August.

Croat forces refused to let a UNHCR convoy reach the Moslem sections of Mostar which have been under siege for almost 100 days.

GEC Alsthom wins Seoul rail battle

High-speed train contract worth $2.4bn to Anglo-French group

By John Burton in Seoul, John Ridding in Paris and David Waller in Frankfurt

A LONG-RUNNING battle for one of the world's biggest high-speed train projects was decided yesterday when the South Korean government chose GEC Alsthom, the Anglo-French joint venture, to supply rolling stock and technology for its planned high-speed line.

GEC Alsthom's Train à Grande Vitesse (TGV) was selected ahead of Germany's Inter-City Express (ICE) and Japan's Shinkansen. The contract for the 400km line between Seoul and the southern port of Pusan is worth about $2.4bn (£1.61bn).

Negotiations on the contract details will now begin. GEC Alsthom said it expected it would be signed by the end of the year. The TGV was selected after six rounds of bids that began two years ago.

Mr Lee Ke-ik, the transport minister, said the TGV was chosen because of its lower purchase and operating cost, although the ICE offered more advanced technology.

GEC Alsthom's final $2.4bn bid was 40 per cent lower than its initial offer. Part of the reduction reflected the depreciation of the French franc against the US dollar over the past 18 months.

Siemens said yesterday it regretted the South Korean government's decision but added it would remain committed to South Korea and hoped to win sub-contracting work on the project.

The power and capacity of the TGV will be increased for South Korea. The Korean trains will each be able to carry 1,038 passengers, more than double the number on the Paris-Lyon line. The Korean link is due to be opened in 2002.

GEC Alsthom will supply a total of 46 trains – six carriages plus engines – with deliveries to be completed by 2001. They include 14 trains that will start operating in 1999 on the first segment of track between Seoul and Taejon in central Korea. Mr Pierre Bilger, chief executive of GEC-Alsthom, said that half of the equipment for the South Korean trains and systems would be built locally and that Korean partners would receive all of the technology necessary for the project.

It is the first Asian train order for GEC Alsthom, which has already been selected to provide high-speed trains for north-western Europe, including the channel tunnel, and Spain.

A Korean high-speed train, first mooted in the late 1970s, is meant to help solve chronic transport bottlenecks as the country's motorways become clogged with traffic. The transport ministry has estimated that traffic congestion costs the country $6bn in lost output each year.

Cadbury gains firmer foothold in the US soft drinks market

By Philip Rawstorne

Injecting extra fizz to global ambitions ....Page 8
See Lex

CADBURY Schweppes yesterday moved to strengthen its position in the US soft drinks market with the $231.3m (£154.2m) acquisition of a further 20.2 per cent stake in the Dr Pepper/Seven-Up group.

The purchase of shares from The Prudential Insurance Company of America brings Cadbury's shareholding in the US soft drinks company to 25.9 per cent.

Cadbury made it clear that the investment was a prelude to closer trading links with Dr Pepper that would enable the two companies to compete more effectively against Coca-Cola and PepsiCo in the $47bn market.

Mr Dominic Cadbury, Cadbury Schweppes chairman, denied that the shares had been bought as part of a takeover plan. But he added: "I would not rule out a further step in the future but equally we have no plans for that."

Discussions will continue with Dr Pepper on areas for future co-operation.

Some City analysts believe Cadbury's drinks brands, which include Schweppes, Canada Dry, and Sunkist, may be injected into the Dr Pepper operation, giving it a US market share of between 14 per cent and 15 per cent.

Dr Pepper already produces the bulk of Cadbury Schweppes' soft drinks concentrates in the US.

Cadbury also sees opportunities for developing sales of Dr Pepper's brands alongside its own soft drinks in other international markets. The Seven-Up brand is owned by PepsiCo outside the US.

Acquisition of the Prudential shares will be funded from Cadbury's cash resources and existing borrowing arrangements. The price is equivalent to $19 a share, a 9.4 per cent premium to Thursday's market price of $17.375.

The acquisition is expected to dilute Cadbury's earnings in the first year by up to 2 per cent. But the UK group said the deal, encouraged by the substantial returns on its original stake in Dr Pepper, bought in 1986/87, was "an excellent opportunity to increase our investment in the US soft drinks industry".

Dr Pepper/Seven-Up is the third largest drinks company in the US with a market share of 10.6 per cent. It has been growing quickly, increasing sales last year by 7 per cent.

The group reported a net loss, after extraordinary charges, last year of $8m on sales of $658.7m but its performance improved this year. However, in the first half of 1993, it achieved net income of $48.3m on sales of $353.3m.

Cadbury Schweppes, the world's third largest soft drinks business, had a 3.4 per cent share of the US market last year.

Plodders

Continued from Page 1

ple. Head boy of Sherborne, a First at Oxford, top of his year in the civil service entrance exams, he has risen to become the UK permanent representative to Nato in Brussels after postings in Paris and Washington.

A diplomatic plodder would have entered the executive class at Grade 9 before getting stuck in a consular job. Slow-streamers do not expect to progress beyond Grade 5, the first secretary level that high flyers reach in their early thirties.

Though fast and slow stream officers are already within the same Administrative Group, only a couple of officers a year manage to "bridge" into the fast stream. Clerical staff enter at Grade 10 and rarely leave Registry – the secretarial office of a department.

The Foreign Office would not confirm its decision. But one ex-civil servant said he did not think the change would herald a more egalitarian era. "The Foreign Office is like a concertina," he said. "It may go in and out but it will always make the same noise."

THE LEX COLUMN

Equities cash in

The rallying cry of every market top is "this time things are different". It was being shouted once more this week as investors scratched around for props to justify market valuations which have not been seen for a generation. With cash returns miserly and gilts yields plummeting, a grab for yield is the central pillar of the argument. The gilt/equity yield ratio is hardly stretched, and with some utility shares offering income higher than building society deposits, any capital gain is viewed as a bonus.

Low inflation is essential to maintain this argument, since it makes real yields on gilts appear attractive. Thus far there is little sign of renewed price pressures, and with commodity prices weak, unit wage costs low, monetary growth sluggish and a large output gap, inflation may not pick up for some time. Whether the UK has moved into an era of low inflation and things really are different is a more open question. Signs that price pressures are building up would quickly undermine the current enthusiasm.

One thing which appears not to be different this time is the extent to which recovery is dependent on consumer demand. Personal balance sheets seem not to be badly stretched and the savings ratio may fall as consumer confidence grows. That should also help the kind of consumer stocks which have recently looked attractive for their solid dividend yield. However, that final support for equities – rumour of the Japanese wall of money – will surely have those who remember 1987 reaching for their sell notes.

Cadbury Schweppes

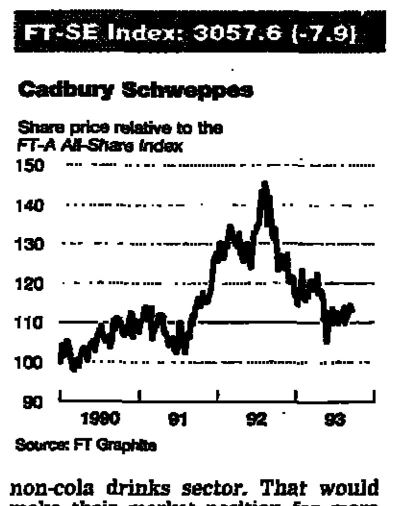
Cadbury Schweppes' acquisition of a further 20 per cent of the Dr Pepper/Seven-Up group for $231m (£154m) could inject a lot more fizz into the UK company's growth prospects. The investment will only make sense if it leads to closer operating links or outright acquisition. Either outcome would greatly enhance Cadbury's position in the US market. This would be useful considering Americans guzzle 34 per cent of the world's soft drinks.

At present, Cadbury controls 3 per cent of the US market. The addition of Dr Pepper's share would give it 14 per cent. This is still way behind Coca Cola and Pepsico, and it is worth recalling Cadbury's unhappy experience of filling the weak number three slot in the US chocolate market. But Cadbury and Dr Pepper would command 40 per cent of the faster growing non-cola drinks sector. That would make their market position far more defensible.

FT-SE Index: 3057.6 (-7.9)

Cadbury Schweppes

Share price relative to the FT-A All-Share Index



Source: FT Graphite

In the absence of a bid, the worry is that Cadbury's existing trading relationship with Dr Pepper could turn flat, since the suspicion is that Dr Pepper is not ecstatic about Cadbury's latest purchase. It is unclear whether the two sides will be able to reach amicable agreements about trading co-operation and board representation. Cadbury could contemplate launching a full bid for Dr Pepper even though it would have to turn to shareholders for fresh funds. Since 1986, Cadbury has shrewdly spent £1bn on safe, relatively small, non-dilutive acquisitions. Spending the same sum again at one throw would certainly shift the risk profile for Cadbury.

Cellular telecoms

AT&T's purchase of McCaw for $12.6bn has put a very fancy price tag on cellular phone companies. AT&T doubtless has its strategic objectives – having been shut out of local telephony in 1984, presumably it hopes that McCaw will provide a backdoor route back into the market. Radio is also a useful weapon for a phone company as technology widens the options for information transfer. Yet AT&T has paid a very high price for what is only one plank in its strategic platform. The acquisition values McCaw's cellular customers at $270 each.

By comparison, UK cellular phone companies are cheap. Vodafone's customers are only valued by the market at around $120 apiece. What's more, Vodafone and Cellnet are profitable, while McCaw has never made money, after its heavy interest payments. It is possible to cut the valuation gap between the two companies by cutting off the bid premium AT&T has paid, discounting for spin off benefits AT&T may reap and adjusting for the higher income of US subscribers.

Even when that is done, however, Vodafone still looks cheap. Unfortunately for its shareholders it may remain so unless anyone is prepared to bid. AT&T is probably the only company prepared to pay anything like $12bn for McCaw and, having done so, is most unlikely to bid for Vodafone. Apart from anything else, the goodwill write off would be prohibitive. Nor is BT likely to follow AT&T's lead by mopping up Securicor's 40 per cent stake in Cellnet. BT can already exercise all the management control it needs, though why it has not done more to improve Cellnet's performance remains a mystery.

UK fund management

Fund management groups should always outperform a rising equity market. With fees paid by institutions linked to the value of funds under management – and a high level of fixed costs – their earnings are geared to rising markets. It should come as no surprise, then, that Henderson Administration, Mercury Asset Management and M&G have outperformed the market by 50 per cent since sterling left the ERM last September.

With interest rates so low, the prospect of heavy unit trust sales as private investors shift savings out of deposit accounts has added spice to the cyclical recovery. Aggregate sales figures certainly support the notion that unit trusts are attracting retail money. The question is which of the fund managers will capture that business. M&G's half year sales figures were mildly disappointing given its reputation. Perpetual, one of the minnows of the sector, has seen its market capitalisation increase fivefold over the last year thanks to its success in this area.

The danger is that fund managers' gearing to the equity market also cuts both ways. The market capitalisation of Henderson fell by 70 per cent in the aftermath of the 1987 stock market crash. Private investors will not keep blind faith in unit trusts should the stock market suffer a serious setback. One can only hope that the very low yield on cash deposits means that the flow of retail money into equities is less speculative than six years ago.

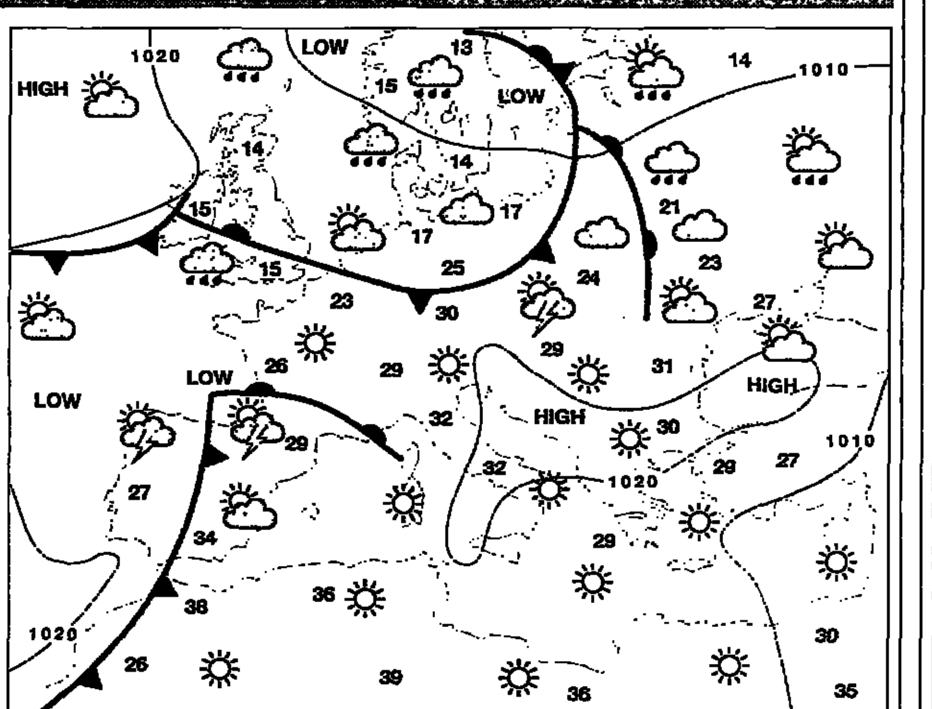
FT WORLD WEATHER

Europe today

Low pressure over Scandinavia will expand towards the south. As a result, the region will continue unsettled with patches of rain, especially in the south and west coastal regions. Meanwhile, a westerly flow will cause changeable conditions in northern Europe. A low over the Gulf of Biscay will produce clouds over Portugal and some afternoon local thundery showers over Spain and south-western France. There will be some sunny spells in the Low Countries and Germany. Further east, it will be cloudy with occasional rain in the Baltic states and northern Russia. The Mediterranean will be mainly sunny and very warm with readings over 35C in Spain.

Five-day forecast

A northerly flow over western Europe will bring cool and unsettled conditions to much of the Continent. Tomorrow, low pressure from the Gulf of Biscay will reach northern France, bringing large quantities of rain and thundery showers in the North Sea area and over France. On Monday, there will be a zone of thundery showers and heavy rainfall from the Alps to the Baltic states. Behind this unstable zone, a north-westerly flow will keep conditions cool with some showers. However, conditions will improve during the week.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	39
Accra	shower	27
Algiers	fair	35
Amsterdam	fair	21
Athens	sun	31
B. Aires	fair	19
B.ham	drzzl	22
Bangkok	rain	31
Barcelona	fair	32
Beijing	shower	30
Belfast	cloudy	15
Belgrade	fair	31
Berlin	cloudy	21
Bermuda	fair	30
Bogota	cloudy	19
Bombay	rain	30
Brussels	cloudy	25
Budapest	fair	28
C.hagen	rain	19
Cairo	sun	35
Cape Town	fair	16
Caracas	cloudy	30
Cardiff	drzzl	22
Chicago	fair	25
Cologne	fair	26
D' Salaam	cloudy	25
Dakar	cloudy	31
Dallas	sun	38
Delhi	fair	38
Dubai	fair	36
Dublin	rain	17
Dubrovnik	sun	31
Edinburgh	cloudy	18
Faro	sun	26
Frankfurt	fair	29
Geneva	sun	31
Gibraltar	sun	32
Glasgow	shower	16
Hamburg	fair	21
Helsinki	shower	16
Hong Kong	shower	33
Honolulu	fair	32
Istanbul	sun	27
Jersey	cloudy	25
Karachi	cloudy	26
Kuwait	sun	46
L. Angeles	fair	23
Las Palmas	fair	27
Lima	cloudy	20
Lisbon	cloudy	24
London	cloudy	25
Lux.bourg	fair	27
Lyon	fair	34
Madeira	fair	26
Madrid	fair	36
Majorca	sun	35
Malta	sun	33
Manchester	rain	19
Manila	shower	29
Melbourne	shower	15
Mexico City	rain	21
Miami	sun	33
Milan	sun	34
Montreal	cloudy	21
Moscow	rain	15
Munich	fair	27
Nairobi	shower	22
Naples	sun	32
Nassau	fair	32
New York	shower	28
Nice	sun	28
Nicosia	sun	33
Oslo	rain	19
Paris	sun	30
Perth	fair	20
Prague	thund	23
Rangoon	rain	28
Reykjavik	fair	12
Rio	fair	19
Riyadh	sun	44
Rome	sun	31
S. Frsco	fair	22
Seoul	rain	27
Singapore	rain	29
Stockholm	shower	16
Strasbourg	sun	31
Sydney	cloudy	18
Tangier	fair	27
Tel Aviv	sun	32
Tokyo	shower	28
Toronto	fair	26
Tunis	sun	35
Vancouver	shower	20
Venice	fair	29
Vienna	thund	28
Warsaw	cloudy	22
Washington	fair	32
Wellington	fair	9
Winnipeg	rain	28
Zurich	sun	29

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Weekend FT

SECTION II

Weekend August 21/August 22 1993

Russia's women face a new reign of fear

*When communism fell, women looked forward to the benefits of democracy. But, as **Lori Cidylo** reports, they are now in danger of losing a fundamental right: safe, legal abortion*

STRANGE THINGS are happening in post-communist Europe. When democracy supplanted communism as the dominant political system in eastern Europe, its oppressed peoples expected to inherit greater rights and freedoms. However, for women, democracy has turned out to be a painful disappointment.

Just four years after democratic revolutions transformed the cartography of the Soviet bloc, women are in danger of losing one of the fundamental rights they were guaranteed under communism – the right to a safe, legal abortion.

In Poland, which now ranks alongside Ireland in having Europe's most restrictive abortion laws, abortion is allowed only in cases of rape and incest; when the mother's health is endangered; or when tests reveal serious foetal defects.

In Hungary, women must go before a committee before they can seek an abortion, and women in the former East Germany must go through official counselling.

Now the Russian parliament is considering a new law which women say is a first step toward restricting, and eventually banning, abortion in Russia. The controversial bill contains a clause which says that the state "recognises" a child's "right to life" – the most contentious aspect of the legislation – and a provision which calls for granting men and women "equal rights in deciding all issues of family life, including issues of family planning."

While supporters of the bill insist that the latter provision is meant to enhance the rights of fathers in custody suits, which are largely ignored in Russia, women's rights advocates fear it could mean that a woman would have to obtain permission from her partner before seeking an abortion.

"If this bill is passed, the freedom of choice a woman has today will be destroyed", says Ludmila Zavadskaya, a lawyer and MP who is an outspoken critic of the proposed legislation. "A situation could arise where a woman comes in for an abortion and the doctor says to her: 'Let me see the decision of your husband'.

"I was at a conference recently and I met a lot of Polish women who are just horrified. Now it looks like we may be going in the same direction. Democracy isn't turning out the way it was supposed to at all."

The Women's Union of Russia, a non-governmental organisation with more than 2m members, recently protested to parliament about the bill. "We consider it necessary", the women wrote, "to preserve the present norm whereby the final decision is left to the woman . . . a woman cannot be forced into motherhood against her will."

"The new catch-phrase is: 'Let's return women to their natural destiny'," says Marina Baskakova, a scholar at the Gender Center in Moscow, which researches women's issues. "But we are not in the 17th century. A woman should have the right to choose how many children she wants to have." In her view, the proposed law would reduce women to "biological instruments for continuing the human race."

Another provision that has ignifed controversy – it also appears in President Boris Yeltsin's version of Russia's new constitution – states that the government has the right to carry out a "progressive demographic policy", a well-known euphemism, women say, for reintroducing a ban on abortion.

Such a law, they maintain, would be a throwback to the pro-natalist policies of Stalinism when motherhood was considered an obligation to the state and women could be jailed for terminating a pregnancy.

In the view of Elena Yershova, a liberal MP: "It is terrible that women in our country have to have so many abortions in conditions that are far from ideal. But it's better than having to have an illegal abortion. We already went through that.

"My mother lived her whole life during the time when abortions were illegal. They were also conducting a 'progressive demographic policy'."

The consequences of such a policy have been well-documented. In 1966, after the government of Romania reversed its liberal abortion policy in an attempt to create more workers for the state, the number of live births nearly doubled. But after just two years the rate started to decline and death from illegal abortions soared.

Opponents of the Russian bill say that it is part of a broad post-communist backlash against women's rights.

In a telephone interview from Brussels, Anita Pollack, a British member of the Committee on Women's Rights of the European Parliament, which had appealed to the Polish Parliament not to approve its anti-abortion bill, called the Russian bill "appalling" and "an infringement on women's rights."

"One tyranny is being replaced by another", she added. "Here in the west, we are trying to advance a woman's right to do what she wants with her body. This was always something very positive in the east . . . Now, it's just going backwards for them."

Indeed, the proposed Russian legislation seems part of a campaign to promote traditional gender roles. Instead of allocating resources to re-train women, who account for 70 per cent of Russia's unemployed, the bill proposes that unemployed pregnant women would stay at home and receive half the monthly minimum wage of $7.74. A monthly salary of $18 is considered poverty level. Such a development would only create a poor female underclass, women say.

It seems paradoxical, at first, that a backlash against women's rights could occur in newly-democratic nations in the throes of revolutionary political and economic change. But there are various factors at work.

One reason is that a new heterogeneity has permeated societies that were formerly one-party states. "Before, we were a monolithic society", says Elena Yershova. "Now we have everything – leftist extremists, right-wingers, centrists and even religious fundamentalists who support a ban on abortion." Greater religious freedom has played a central role in the permutation of abortion policy in eastern Europe. The church, once consigned to the fusty antechamber of backroom politics, is using its new-found moral mandate to push through its own social plans.

Abortion is increasingly being re-examined as a moral issue – something that never happened under atheism. And the law, which once reflected communist principles, now often supports the position of the church.

After the communists were ousted from Poland in 1989, banning abortion became a primary goal of the country's bishops. The resulting legislation was directly sponsored by the church; many legislators who voted in favour of the law admitted they had done so as a concession to Pope John Paul II. In Hungary the powerful anti-abortion crusade which led to the new law in that country was also spearheaded by the Roman Catholic Church.

However, in Russia atheism is still entrenched. Unlike Poland, where 95 per cent of the population is Roman Catholic, the church in Russia has not, so far, emerged as a major political force.

Here, the factor behind the conservative backlash appears to be nationalism. As in Hungary, the number of births in Russia has not kept pace with the rising number of deaths. As a result, the abortion debate has centred on nationalist fears about declining population.

In the first six months of 1993 there were 120,000 fewer births than in the same period last year, and 178,000 more deaths, the Russian newspaper *Moskovskaya Pravda* reported on its front page recently. Although demographers say it is normal for a country's birth rate to fall during big social upheavals, such as industrialisation, or, in this

■ Continued on Page XVIII

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The Long View / **Barry Riley**

Money on big dipper

MONEY IN Britain may soon begin to shrink in volume, normally a sign of economic depression. Should we (a) panic, (b) ignore the trend as irrelevant and distorted or (c) try somehow to massage the figures back into the government's target growth zone (now downgraded anyway into a weaselly "monitoring range")?

The clearing banks' half-year results season earlier this month featured a bounce-back in their profits as the bad debt problems eased, but also suggested underlying margin pressures as borrowers have become scarce. Net new sterling lending was no more than about £8.5bn during the first half of the year, and since some £4.5bn of that was by building societies the pickings for the clearing banks were thin indeed.

These are topsy-turvy times. The Germans have been struggling to hold down the growth of broad money, which hit an annualised rate of 7.1 per cent for June; that was above the top of the Bundesbank's 4½-6½ per cent target range. Yet monetary growth in the UK dipped to 3.3 per cent year-on-year, perilously close to the *bottom* of the Treasury's 3-9 per cent band.

There is, however, money and money. The real sluggishness relates to the broadly-defined stuff, which includes a vast amount of savings deposits: private individuals, for instance, have about £250bn in interest-paying accounts in banks and building societies. But the volume of cash which actually directly lubricates day-to-day economic activity has begun to pick up, and seems to be growing at about 5 per cent a year.

They have a long, technical word for the broad money problem: disintermediation. It happens when finance through banks is replaced by investment directly by the public. A perfect example will be the proposed flotation (minus Harrods) of the House of Fraser department stores chain, snatched by the Fayed brothers from under the nose of Lonrho's Tiny Rowland some 10 years ago.

According to the apoplectic Rowland, the Sultan of Brunei's wealth was temporarily tapped to finance the deal, but the long-term finance came from Swiss, German, British and Japanese banks which put up capital for a private business in a classic 1980s debt financing exercise. But in this and many other cases the banks found that the lending proved riskier than they had expected. Thus in the past few years the takeover game has seriously slowed: spare a thought for the poor old City Takeover Panel, which complained in its annual report last month that it dealt with only 88 takeover proposals in 1992-93 against an annual average of 225: like the clearing banks the panel is having to reduce its staff.

Next year House of Fraser is to be floated back on to the stock market from whence it came. Investors will raid their deposit accounts to pay for the shares, and some of the Fayeds' bank loans will be paid off. If M4 shrinks for this kind of reason, it is hard to see that there will be any adverse economic consequences. Indeed, there are reasons to believe that public companies will be run better than private businesses collapsing under the weight of indebtedness.

Certainly, bank loan demand from the corporate sector is seriously weak. Industrial and commercial companies repaid bank loans in the first quarter of the year to the extent of over £5bn. This reflected their return to financial balance at the end of the recession, and their ability to tap the securities markets. Equity issues, for instance, raised more than £8bn in the first half-year.

In this respect the UK is following the trend established last year in the US, and continued with a vengeance so far in 1993. Corporate bond issues there are heading for over $800bn this year, and equity underwritings are running ahead of last year's record $102bn. After the leveraging of corporate America during the late 1980s, when company equity was being bought back from the public at up to $125bn a year, net equity *issuance* is running at about $70bn annually. This sidelining of the banking system has led to a stagnation in the US money supply, with M2 up 1 per cent over the past year (a small *drop* in real terms). Alan Greenspan, chairman of the US Federal Reserve, has dismissed M2 as a distorted measure, and prefers to chase even more shadowy concepts, such as real interest rates.

Does a falling money supply matter, in these circumstances? You can either argue that the weakness of the US monetary aggregates has not prevented an economic recovery, or that it is the explanation for the weakness of the upswing. At least the US is making good progress in cutting private sector indebtedness. In the UK the overhang of record levels of personal debt remains a problem which has hardly been tackled. Indeed, mortgage lending continues to show modest growth.

Here is the puzzle, that while the Germans struggle to control monetary growth through high interest rates, low US rates have coincided with exceptional monetary weakness. The answer lies in time lags. The short-term consequence of high interest rates is a rise in deposits, until the economy slumps and loan demand collapses. The short-term consequence of low interest rates is a flight of savings from banks, and thus a monetary contraction, until eventually the economy expands vigorously under the influence of cheap money and the borrowers return in numbers. That will be a tricky period indeed for the Federal Reserve, and the prospect is viewed with apprehension by Wall Street.

In these big dipper circumstances the monetarists prescribe that the monetary aggregates should be persuaded to grow steadily and smoothly. It might have to be done by financing the public sector deficit through the banks. But if the British banks grew too fat on excessive private sector indebtedness in the 1980s should they not now be allowed to grow thin? My preference is for (b) but I dare say that in due course the government will try (c) before resorting to (a).

MARKETS

London

Suddenly, the yen heads for the heights

By Maggie Urry

THE RISE in the equity market this week has had stock *market commentators* rushing to change their forecasts for the year-end. While many were predicting that the Footsie would reach *3,100* by then, they are now looking at 3,200 by next weekend.

The rise in the index this week, of 47.5 points to a close of 3057.6, was concentrated entirely in a 48.6 point jump on Wednesday, the largest one-day increase since January 26.

It is easy to see the gain as driven by the good news that the market has been using to justify rising thus far: falling interest rates; the prospect of another base rate cut this *autumn; and low inflation* which should continue for some time, combining to drive down gilt yields and push equities higher.

That is backed by the economic recovery which is becoming more evident with each week's crop of economic statistics – such as higher retail sales; a lower public sector borrowing requirement than expected in July; strong growth in borrowing; and a *rise in corporate profit margins* as wage growth lags profit growth. But market strategists have begun to latch on to a *significant new element.*

While people have been preoccupied by the break-up of the exchange rate mechanism and what that means for the UK, the yen has been rising. It almost broke through the Y100-$1 level this week, but turned back abruptly after heavy intervention from the US authorities. The Japanese, anxious to reflate their economy, want the yen to come down from this peak. Thus, there is now strong pressure *inside and outside the country* to reverse the currency's rise.

Nick Knight, equity strategist at the Japanese-owned Nomura Research Institute – who should know – says that, within Japan, the large institutional investors will be encouraged to sell the yen and shift their money overseas.

Which important currency has been one of the worst performers against the yen and *might, therefore, be the first to* which Japanese investors turn their attention? Sterling. The beginning of the yen's latest surge coincided with sterling's devaluation last September, and the yen has risen from Y245-£1 to Y150.

Which large and liquid stock market is on the rise anticipating, yet not fully discounting, economic recovery? The UK.

Put the two together and Knight's theory of a Japanese "wall of money" buying the UK *stock market is not so fanciful.* He has long predicted the Footsie would rise to 3,500 by the end of this year, and is looking for a smaller increase – to 3,700 – by the end of 1994. If you miss this move in the market, you might as well forget UK equities for the next five years, he says.

Buying from overseas investors was much in evidence this week in heavy turnover, and *retail investors have been buying,* too. Fears earlier this year that hefty gilt sales, rights issues and flotations would put too much of a strain on cash flows, and keep the market down, have proved groundless.

Even the generally more cautious Michael Hughes, at BZW, is pointing to the yen story. He notes that someone could borrow in yen, switch the money into sterling and buy UK equities yielding enough to cover the yen interest cost, giving a *free play on the currency and* the UK market.

Like nature abhorring a vacuum, markets abhor this kind of discrepancy. And stock markets (to quote Knight again) *do* move in straight lines every so often.

Once it becomes obvious to all that a market should be higher, it will move there fast. *In January 1989, for instance,* the Footsie rose 250 points with barely a down day. It went on to gain nearly 300 more points by the year-end.

Since July 21 this year, when the Footsie hit its recent low of 2814.1, the index has risen 243.5 points, again with hardly a pause. Any market that rises that far that fast might need a *couple of days' consolidation,* though, as it did on Thursday and Friday this week.

Hughes can find another reason why the equity market is undervalued. He draws a parallel with the 1930s, a period when *companies reduced the* proportion of earnings paid out in dividends, preferring to retain profits internally as the economy recovered.

This is happening again now, so the market can rise without dividends increasing as fast as earnings – meaning yields on equities can go lower. A 3.5 per *cent yield implies the Footsie* at around 3,250. The market is not expensive at present levels, he says.

So, what of the concern from some companies this week about the fragility of the economic recovery in the UK and Europe? Argos, the catalogue retailer, which reported a 39 per cent profit rise to £13.2m *pre-tax for its first half on* Monday, warned that a tough budget could kill the "fragile recovery."

First, the recovery might be more fragile in retailing than elsewhere, given the competitive state of that sector. Then, the hints about November's Budget indicate it will not be such a tax-raising exercise as *first thought. The better news* on the PSBR helps. The National Institute of Economic and Social Research predicted taxes would rise by £2.5bn in the Budget – but with interest rate cuts, too, that would be neutral for demand.

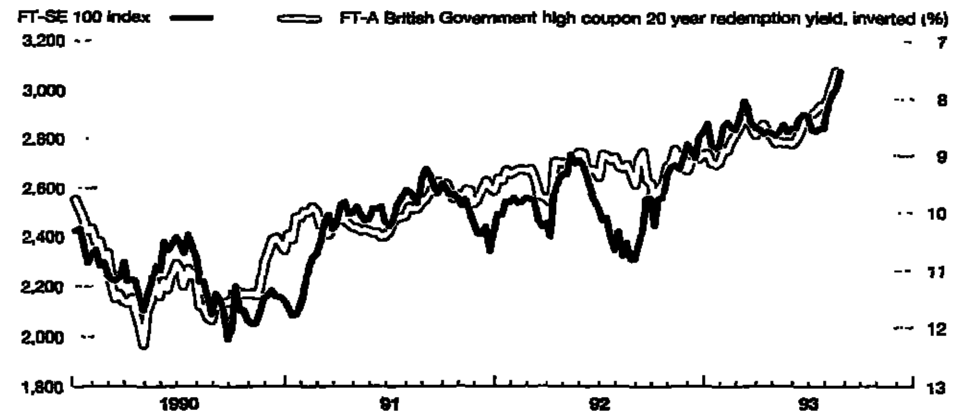
The other fear is that the continued recession in continental Europe will hold back *UK profits. BICC,* the cables company, made this point on Tuesday when recording a 12 per cent fall in interim pre-tax profits to £51m.

The figures were depressed by a reduction in profits from its European business. Similarly, a fall in exports to Europe was blamed for the first drop in UK car production for 18 months.

But that is yesterday's story. The collapse of the ERM – which has so far happened in theory, but should happen in practice after the summer holidays – will sort that out.

Falling gilt yields drive equities higher

FT-SE 100 index — FT-A British Government high coupon 20 year redemption yield, inverted (%)



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	3057.6	+47.5	3073.6	2737.6	Hope of global economic recovery
FT-SE Mid 250 Index	3482.4	+26.9	3494.9	2876.3	Focus on blue chips
Argyll Group	353½	+26½	407	287	UBS positive
Blue Circle	266	-17	285	189	Broker cautious on sector
Evans Halshaw	393	+45	394	208	Bumper profits
Glaxo	586	+72	801	509	Zofran drug wins full FDA approval
HSBC (75p shs)	725	-31	774	490	Disappointing figs from HK sub
Lloyds Bank	528	-21	591	492	Switching into Barclays
Marley	158	-7	168	93	Cautious statement with int figs
Nthn Ireland Elec	162	+12	165	100	Institutions chase high yielders
RMC	794	-25	823	555	"Heavy" building stocks weaken
Securicor A	748	+46	765	562	Cellnet stake sale hopes
Thames Water	540	+20	563	454	Response to MMC report on gas ind
Vodafone	562	+40	566	367	McCaw bid triggers rerating
Wellcome	745	+104	993	600	US turns buyer of drug shares

Serious Money

Where to put your trust

By Philip Coggan, personal finance editor

INVESTMENT trusts have rarely been so healthy. Over the past year, while the sector's assets have grown by 48 per cent, the average share price has risen by 61 *per cent, according to NatWest.*

The result is that the average discount in the investment trust sector has fallen to its *narrowest level, at 8.7 per cent,* since 1972, according to S G Warburg. The FT Investment Trust index also hit an all-time high. At this point, a good contrarian has to argue; have things gone too far?

Certainly experienced sector watchers, such as Hamish Buchan of NatWest Securities, find much at which to marvel. "The discount on Foreign & Colonial (the largest trust in the sector) is just 1.3 per cent" he says. "If you had mentioned *that possibility to F&C 10 years* ago, they would have laughed."

At least Foreign & Colonial is still at a discount. On Friday morning, shares in Templeton Emerging Markets were trading at a 17.6 per cent *premium*; much as one might admire the investment skills of Mark Mobius, the Templeton manager, it is hard to see why you should *pay £117.60 to buy £100 of* assets. The shares could fall 15 per cent and still be trading at asset value.

Why has this been happening? With the share market reaching new highs, investment trusts represent a quick and efficient way for private investors, and some small institutions, to put money into *shares. Furthermore, the regular* drip-feed of savings schemes appears to have been steadily narrowing the discount over the years.

A further factor is that the number of trusts which are *either geographical specialists,* or have a split capital structure, has increased. Such funds tend not to trade at a wide discount, because in the case of the former, they offer institutions something they cannot replicate on their own and, in the case of the latter, they offer the private investor tax advantages.

But can the situation continue? Hamish Buchan says: "Some people think the dis*count has gone for ever. I don't* believe that to be the case. The sector looks a bit toppy at the moment."

The worst that could happen is a sudden fall in the market. Institutions might sell their holdings as a way of reducing exposure to the market and private investors might lose confidence in equities. Those still invested might suffer a "double whammy" as assets fall and the discount widens.

All this might tilt the odds in the long-standing argument over whether investment trusts or unit trusts are better for the private investor. The *main arguments in favour of* investment trusts have been threefold: costs are lower; ability to gear up through borrowing should enhance returns over the long run; and it is possible to buy their assets at a discount.

But some of those arguments have been undermined. The costs of the investment trust *sector have been steadily rising.* Some new issues absorb 4 to 5 per cent of the proceeds in expenses (close to the 5 per cent initial charge on a unit trust). Some savings schemes also pay 3 per cent commission to intermediaries, a charge which is passed to the investor.

With markets at all-time highs, the fact that a trust is *geared might concern cautious* investors, as might the ability of trust shares to move to a wider discount.

Take the example of a investment trust at a 5 per cent premium, and a unit trust with a 5 per cent initial charge. Although the bid-offer spread on the unit trust will be wider than 5 per cent, there will also be a bid-offer spread on the investment trust shares, plus stamp duty, and, if you do not buy via a savings scheme, brokers' commission.

Unit trust annual charges *tend to be higher on average,* but it is possible to cherry pick. For example, Gartmore's UK Index fund, with no initial *charge and a 0.5 per cent* annual charge, might represent better value than some UK general investment trusts.

In sectors such as emerging markets, a unit trust trading at asset value might represent better value than an investment trust at a double digit premium. (Although, for the moment, unit trusts are restricted in the markets where they can invest, so they might not be as genuinely "emerging" as their invest*ment trust rivals).*

There is no perfect answer to the issue of unit versus investment trusts. Much will depend on an individual's attitude to risk. Lewis Aaron of SG Warburg Securities points out that in a market fall, investment trusts, being closed-ended funds, will be able to sit tight, while unit trust managers will *have to sell holdings to meet* redemptions.

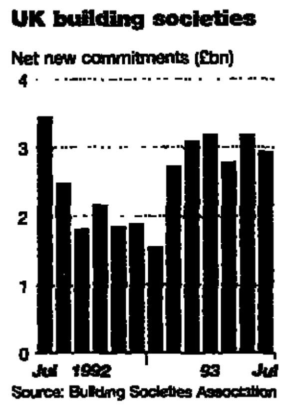
■ A footnote to my piece last week on price-earnings ratios. Gerald Ashfield, who has been active in the investment trust industry since the 1940s, says *that the ratio* he follows most closely is the link between the earnings yield and the yield on irredeemable government stocks, such as War Loan. The earnings yield is calculated by dividing corporate earnings by share prices and is thus effectively the inverse of the price-earnings ratio.

Ashfield argues that the ratio tends to average about 100, ie the two yields tend to be about the same level. At the moment, the ratio is 82 per cent (ie, the earnings yield is less than the return on irredeemables), a sign that shares are expensive. But the ratio is not as low as it was at the peak of the market in 1987, or in 1972.

AT A GLANCE

UK building societies

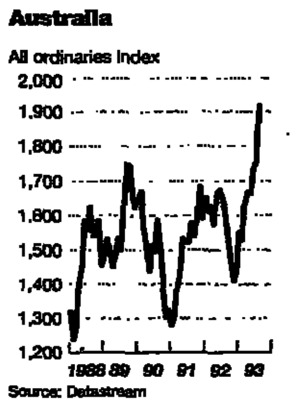
Net new commitments (£bn)



Source: Building Societies Association

Australia

All ordinaries Index



Source: Datastream

Building society lending slips back

LENDING for new mortgages remains uneven, according to figures released by the Building Societies Association this week. Net new commitments fell to £2.9bn in July reversing a rise the previous month. In July last year, net new commitments were higher at £3.4bn but buyers were then rushing to beat the August deadline reimposing stamp duty on house purchases up to £250,000. Adrian Coles, director-general of the BSA said he expected levels of lending activity to be broadly maintained over the coming months.

On the savings side, building societies suffered a net outflow of funds in July as people withdrew money to pay for holidays, L-registration cars and BT3 shares. The net outflow of £61m followed an outflow of £56m in June.

Australian fund seeks UK investors

A new Australian-listed closed end investment fund is trying to recruit UK and European investors. The fund is called Investment Australia Ltd and is managed by Dicksons. The company will invest in the 50 leading stocks, representing 75 per cent of the *Australian market's capitalisation. The fund will have a dividend* yield of 3.25 per cent (which can be paid in sterling if the investment is large enough) and a management charge of 0.5 per cent. The UK broker is the London-based Panmure Gordon.

B & W launches equity bond

Bristol & West has launched a guaranteed equity bond with a fixed rate element. Investors can split their holding between a one year investment account paying 6 per cent net, and a guaranteed equity bond, which rises in line with the FT-SE 100 index. A minimum of 10 per cent and a maximum of 50 per cent can be placed into the investment account. **Guaranteed equity bonds: page III**

Savings guide for the elderly

The charity Help the Aged has produced a free booklet which gives a clear guide to the mysteries of savings and investment. The booklet, *Managing a Lump Sum,* is available from Help the Aged shops or by sending a 9 in by 5 in SAE to: MALS, The *Information Department, Help the Aged, St James's Walk,* London EC1R 0BE.

Fidelity withdraws from pensions

Fidelity Investments is to withdraw from personal pensions to concentrate on its core fund management activity. It will therefore no longer be offering Fidelity Select Personal Pensions unit trust. Arrangements have been made for Fidelity's pensions *clients to transfer into a new personal pensions product with* Professional Life. Pension clients will continue to be able to switch between Fidelity unit trusts and those who do not wish to transfer to Professional Life can transfer in the normal way to other pension providers.

Smaller companies index gains

Shares in smaller companies continued to make gains. The *Hoare Govett Smaller Companies Index (capital gains version)* rose 1.8 per cent to 1,577.03 over the week to August 19.

Wall Street

New York discovers the rest of the world

IN NORMAL times, the global perspective of US investors is pretty narrow. Events overseas rarely have much of an impact on the financial markets at home, which traditionally keep their focus on domestic economic news, internal money-flows, and the economic and monetary policies of the country's politicians and central bankers.

These are not normal times, however, and this week shock waves from a ministerial meeting in Tokyo, a sharp widening in the US trade deficit, a dramatic drop in the value of the dollar against the Japanese yen followed by an equally dramatic recovery, and record-breaking rises in European equity markets, buffeted US financial markets.

On Wednesday, big gains in *European equity markets* provided the fuel for a sharp rally in US stocks. This sent the Dow Jones Industrial Average above 3,600 for the first time in its history. This was unusual, because US equities do not normally follow the European markets. Typically, it is the other way around.

Yet this week, US investors took their cue from their European counterparts, primarily because they shared the same hope – that falling interest *rates in Europe will boost flagging economies.* In the case of US investors, the flagging economy which they hope will benefit from lower interest rates in Germany, France, Spain and elsewhere is the US *economy. Their thinking goes* that an improved business climate on the other side of the Atlantic will revive demand *for US goods and services.*

(This symbiotic relationship between US and European markets worked especially well this week. Not only did buoyant UK, German and Spanish equities lift US shares at the New York opening, but early strength in US markets provided UK, German and Spanish stocks with a lift late *in the European day.)*

If equity investors' newly-found international sophistication was on display on Wednesday, it was bond investors' turn to adopt the global perspective on Thursday.

It all started in Tokyo, where Morihiro Hosokawa, Japan's new prime minister, held the first meeting of a special ministerial council on the economy. At the meeting, the *council agreed to draw up an* emergency programme aimed at deregulating the Japanese economy and shifting the balance of power in the country from producer to consumer.

After the meeting, Hosokawa spoke on the telephone to President Bill Clinton. Economists in New York and Tokyo suspect that the two leaders struck a secret agreement during their talk – a *deal that Japan will take* action to spur domestic economic growth and open up the Japanese market more to US goods, and in return the US will take action to halt the dollar's slide against the yen, and perhaps expend less energy talking the US currency down.

The conversation between Hosokawa and Clinton took on so much significance (and set the rumour mills grinding) because of what happened later that Thursday morning. First, the June US merchandise trade deficit was released, showing an unexpected and dramatic 44 per cent rise in the deficit to $12.06bn, the largest for almost six years.

Then, also out of the blue, *the New York Federal Reserve* began intervening in the foreign exchange markets to protect the dollar, which was taking a pounding from currency dealers who had begun selling dollars and buying yen as soon as the awful trade numbers were announced.

In a remarkably effective piece of central bank intervention, the Fed's intercession halted the dollar's slide towards Y100, and dragged it back above Y105.

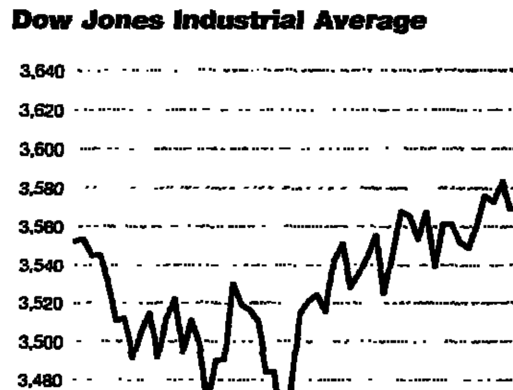
Bond investors, meanwhile, watched all of this with undisguised glee. They liked the trade figures, which indicated that the US economy has been growing at an even slower rate than everyone thought. Indeed, many analysts said the sharp drop in June exports would almost certainly force the government to revise its original estimate of second-quarter gross domestic product growth. Initially put at 1.6 per cent – a modest expansion in the first place – analysts now think the GDP growth rate will be brought down to around 0.5 per cent.

Treasury investors also welcomed the Fed's attempts to halt the dollar's decline. This *is because if overseas investors* believe the US currency is about to turn, then they will begin investing more of their money in *Treasury bonds* in the expectation of benefiting from the appreciating relative value of US assets.

All of this sounds complicated, which it is. Yet, this week ended with US stock *markets at or near record* highs, the biggest European stock markets at or near record highs, and US bond *yields at record lows.* Somebody, somewhere, seems to like what's going on.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3579.15	+ 9.50
Tuesday	3586.98	+ 7.83
Wednesday	3604.86	+ 17.88
Thursday	3612.13	+ 7.27
Friday		

The Bottom Line

Drugs emerge from a coma

AFTER A year of apparently slipping *into an ever deeper* coma, drugs stocks jerked awake this week. The health and household sector, dominated by drug stocks Glaxo, SmithKline Beecham and Wellcome, recorded its steepest rise of the year and recovered to its best level for two and a half months.

The immediate stimuli were the record breaking rally in the rest of the market, a drug approval in the US for Glaxo and some conciliatory words from US President Bill Clinton, whose administration is determined to limit drug bills.

Expert opinion is divided over whether the effects are just temporary: will the sector embark on the road to recovery or will it suffer a relapse?

By any account, the shares remain weak. From having been the star sector of the 1980s, they languish at a deep discount to the rest *of the market* even after the latest gains.

The problem is that drug prices and profit margins *remain under pressure.* The Clinton administration and cash hungry governments in Europe and Japan argue that drug bills have been rising too quickly and must be controlled.

President Clinton's plans seem likely to involve more intervention by government to cut costs. They could include the provision of universal healthcare coverage and the establishment of health "alliances" that would push for healthcare plans to cut their charges.

Already, the fear of legislation may have contributed to a fall in drug price inflation in the US towards the level of general inflation.

Some investors fear that the squeeze on drugs will not stop *there. Healthcare reforms in* the US, easily the world's biggest market, promise to cut the number of drug buyers *through Health Insurance Purchasing* Co-operatives. These will have greater buying power and therefore the ability to strike discount deals with drug *makers.*

Lehman Brothers' is one of the leading pessimists of the sector. It argues that only UK *and European investors* have been buying drug company shares this week and they do not understand the implications of Clinton's plans as well *as US investors.*

It also fears there is a chance Glaxo will lose a patent case in the US over its best selling drug Zantac. *Sales of Zantac,* an ulcer treatment, are worth about $3.5bn a year. If Glaxo lost, other companies would be able to sell a generic (unbranded) version from 1995. Ian Smith, a drug sector analyst at broker Lehman Brothers in London, estimates that Glaxo would then lose $700m of revenue in the first year alone.

Even the uncertainty over law suits and regulation alone has been depressing share prices. At least one broker was talking this week of a "black hole" in the pricing of drugs. No wonder that the drug sector, once the most expensive in *the London market,* is now trading at a price/earnings ratio of about 6 per cent below the market average even after *this week's gains.*

In the face of this apparently overwhelming evidence, it is hard to hear the voices of the *sector's optimists,* however persuasive their arguments seem.

They say that investors have been unwitting pawns in a political game being played by the drug companies to limit the damage government will inflict on them.

The drug industry is churning out bad news items in an effort to portray itself as vulnerable. *At the same time* it is less than enthusiastic about presenting events which bolster its image.

One broker has produced a stack of statistics to show that proposed US healthcare changes will cut drug prices mostly for the working population, not for the very young or old, its main customers.

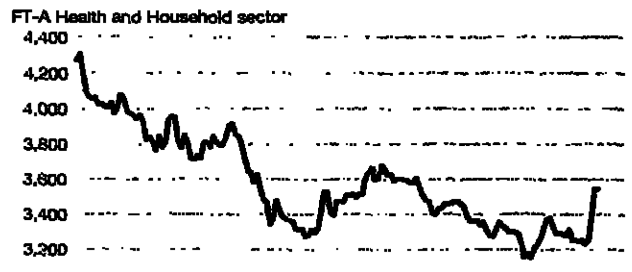
It even predicts that Glaxo can survive losing its patent suit virtually unscathed by cutting costs.

This broker is, however, not prepared to be publicly associated with these views. It was overwhelmed by buying orders earlier in the week and is still struggling to buy drug sector shares while they are *still close to their lows.*

Daniel Green

Health and Household

FT-A Health and Household sector



Source: Datastream

A safety net for the cautious investor

Guaranteed equity bonds seem to offer growth – or your money back. But, says ***Philip Coggan****, it is not that simple . . .*

SAFETY IS very important to most investors, and the word "guarantee" usually provokes a positive reaction. That might explain the proliferation of guaranteed equity bonds which offer a simple slogan: "Stock market growth without risk."

Most people know they "ought" to invest in equities because of the long-term gains which can be made. But they are all too aware of how volatile stock markets can be. They fear that investing at the wrong time, such as just before the crash of 1987, could result in losing capital. And with the FT-SE 100 index setting a record high this week, they could have extra reason to be cautious.

Guaranteed products provide the reassurance some people need. In most cases, the worst that can happen is that they get back their original sum invested.

The product can take the form of a building society account, in which the "interest" is stock market growth, or it can be an insurance bond such as the one launched recently by National Westminster. This offers investors the rise in the FT-SE 100 index over five years, or the return of their original investment, whichever is the greater.

As an additional attraction, it offers a "lock-in facility." If the Footsie rises by 25 per cent from its original level at any point over the five years, that gain will be "locked in." Even if the market falls, the investor will receive a minimum return of 25 per cent. (The minimum investment is £5,000). Then, too, a basic rate-payer will face no extra tax when the bond matures.

Add these factors together and it sounds like a flawless product. But guaranteed equity bonds have a number of disadvantages which are not always immediately apparent.

■ **Inflation.** A guarantee that returns your original capital in five years is not necessarily a good deal, since your capital will buy less. At 5 per cent inflation, £1 is worth 78p after five years.

■ **Loss of interest.** Instead of putting your money in the bond, you could have put the same sum in the building society and enjoyed the benefits of compound interest. If you had earned 5 per cent interest net, £1,000 would have grown to £1,276 after five years.

■ **Lack of income.** Most guaranteed equity bonds pay all their return on maturity; thus, they are of little use to income-seeking investors. Some do pay "income," but there is a risk that this might represent merely the return of the original capital (see below).

■ **Loss of dividend yield.** The Footsie reflects only the capital growth of share prices, not the dividend yield – for which most guaranteed bonds do not give credit. With shares yielding 3.7 per cent now, losing the dividend yield over five years makes a significant difference. An investment in an indexed unit trust would give the holder credit for both the capital growth and the dividend yield on the index (although this would be somewhat diluted by the manager's charges).

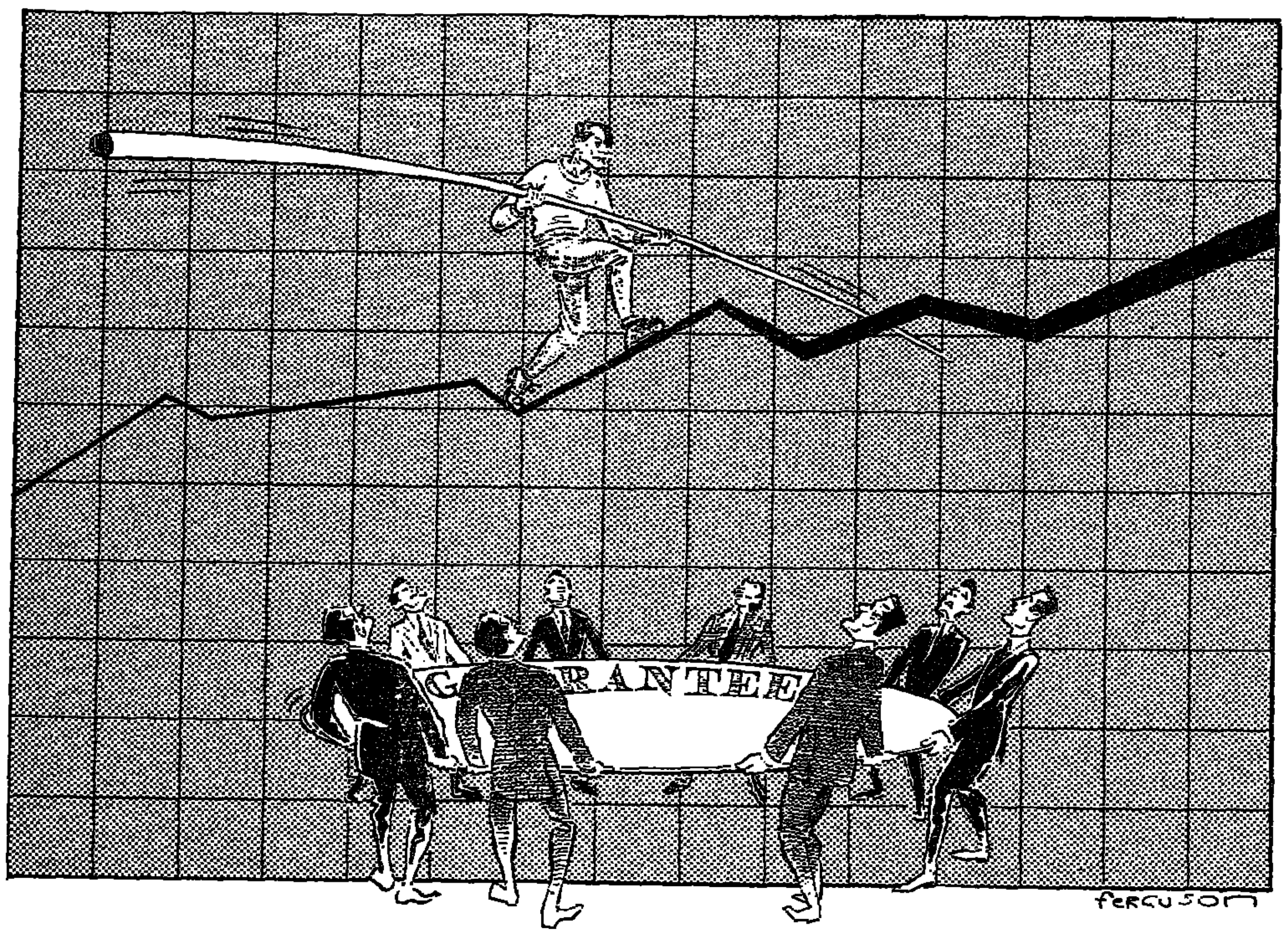
■ **Misleading percentages.** Some products, particularly those sold by building societies, may offer to return more than the rise in the Footsie. But this "extra" percentage is available only to non-taxpayers. A bond which offers a 133 per cent rise in the index to gross investors will pay only 100 per cent to basic rate-payers.

■ **Higher-rate taxpayers.** Although basic rate-payers face no additional charge on most guaranteed equity bonds, higher rate-payers could pay the difference between basic and top-rate tax on encashment. In the above example, a bond that offered 133 per cent of the rise in the index to non-taxpayers would pay only 80 per cent to higher rate-payers.

Furthermore, proceeds from the bonds are taxed as income. For those top rate-payers who do not use up their annual £5,800 capital gains tax allowance, this makes them less attractive than an indexed unit trust.

■ **Fixed holding periods.** In most cases, the bonds last for five years and investors may well not get the full value of their investment if they withdraw their money before the period is up.

Given these factors, sophisticated investors will probably reason along the following lines. The stock market probably will rise over a five-year period. If it does, an indexed unit trust (or an actively-managed fund with a proven record) could well outperform a guaranteed equity bond, because of the dividend yield and, in some cases, the tax position. If the stock market falls, it would be better to invest in the building society (or gilts) and earn an income than to rely on the money-back guarantee.



There are, however, a lot more people who would regard themselves as "amateur" rather than sophisticated investors and, for them, guaranteed bonds will continue to appeal.

The financial sector has been alert to many of the problems, and a number of the bonds on the market are designed to overcome some of the perceived disadvantages.

Scottish Amicable has produced the third issue of its Capital Guarantee bond which allows for the growth in the FT-SE 100, *including* the re-investment of dividends. This addition comes at a cost; there is an initial charge of 5 per cent as well as a 5 per cent bid-offer spread. Allowing for a bonus allocation of units for those who invest before September 10, this means that, of an initial investment of £10,000, only about £9,160 will rise in line with the index. Further, there is an annual charge of 1.5 per cent which is deducted from the dividend income.

So it is quite a complex calculation as to whether this structure will be more profitable than a more straightforward bond which lacks the dividend facility. If you assume that the market yields 4 per cent and that dividends and share prices grow by a steady 5 per cent per year, I calculate that the Scottish Amicable bond would be ahead of the NatWest product. But different assumptions would produce a different result.

Lock-in facilities appear particularly popular: more than 70 per cent of the investors in **Save & Prosper's** first guaranteed bond, launched last November, opted for this benefit. Indeed, the first lock-in took effect after the FT-SE rose 10 per cent to reach its recent record high.

Save & Prosper plans to launch a new bond on September 1. This will offer the choice of 98 per cent of your capital rising in line with the Footsie, or 90 per cent rising in line with lock-ins at 20, 30 and 40 per cent growth.

The lock-in facilities on Scottish Mutual's Guaranteed Investment plan differ from those on the S & P bond; Scottish Mutual offers to lock in gains once the index has risen by 50, 75 and 100 per cent. This might sound better than the S & P deal but much depends on how optimistic you are about the market; if it rises 49 per cent but then falls back, S & P investors will get a lock-in but Scottish Mutual investors will not. The more cautious you are about equities, the better it is to have a low lock-in level.

Scottish Mutual's bond uses the average level of the Footsie over the last year of the product's life as the measure of the investor's gain: S & P uses the average over the last six months. This technique protects against a sudden fall in the index just before maturity; on the other hand, since equities tend to rise over time, the averaging could well reduce the overall return.

There is a 5 per cent initial charge, which means only 95 per cent of your money benefits from the rise in the index. But those who invest before September 3 will qualify for a "bonus" of 2 per cent which will reduce the impact of the initial charge. Minimum investment is £7,500.

One twist on the guaranteed product which is proving popular is the income facility. Rather than guarantee to pay back the original capital, some companies offer to pay a fixed income over the five years. The "guarantee" that then applies is that the company will pay a residual lump sum which, together with the income payments, returns the original investment.

Say a person invests £10,000 to earn an income of 8 per cent a year. The bond would pay £800 for five years (total £4,000) and then guarantee that the minimum repayment value after five years would be £6,000. The stock market normally would have to grow at a set percentage for the investor to get back his original capital *as well as* the income.

Save & Prosper offers another bond which pays 8.5 per cent income (paid quarterly or annually) over five years. The bond-holder gets a minimum of 57.5 per cent of the original investment on maturity. To get back £10,000, the Footsie would have to rise 30 per cent over the five years. The minimum investment is £2,500 (£5,000 for those who want quarterly income).

The nature of these products has attracted criticism, mainly on the ground that investors could be misled by the high "income" on offer and fail to understand that this might simply represent the return of their capital. But Save & Prosper says it surveyed investors who bought an earlier income bond and found that 91 per cent felt the literature made the risks to capital clear.

Business expansion schemes also are offering returns based on the Footsie's growth (for details, see the article on Page IV). It seems clear that guaranteed equity products are here to stay, and that there will be more variations as the 1990s progress.

FINANCE AND THE FAMILY

Rising equities bring share-linked BES

***Scheherazade Daneshkhu** looks at the latest schemes on offer*

THE RISE in the UK stock market has coincided with an increase in the number of new business expansion schemes offering market-linked returns. Sponsors, having discovered this innovation, are offering it alongside conventional, cash-backed, arranged exit schemes.

Sponsors Close Brothers and Save & Prosper this week launched BESSA Oxbridge, which aims to raise £38.75m to buy properties from five colleges – Merton at Oxford, and Christ's, Jesus, Sidney Sussex and Wolfson at Cambridge – and let them to students on an assured tenancy basis. The colleges say they will buy back the properties after the five-year period required for BES investment.

Investors are being offered a choice of three separate companies in which to invest. The first is a straightforward, cash-backed, fixed return scheme of 121p after five years for every 100p invested, equating to an annual return of 13.9 per cent for higher-rate taxpayers (9.5 per cent for lower-ratepayers).

Returns from the other two companies are linked to rises in the FT-SE 100 but one option is geared. This offers the potential for higher returns but is riskier.

The second set of companies gives a fixed exit price of 81.4p (equating to an annualised return of 5.8 per cent for a higher-rate taxpayer) and 1p for every 1 per cent increase in the FT-SE up to August 1998. There is a lock-in if it rises by 39.6 per cent, which would produce 121p a share.

The third, and only geared, option offers investors their 60p back after five years so that, at worst, higher-rate taxpayers keep their original investment. The variable return, however, is 1.54p a share for every 1 per cent rise in the FT-SE.

The company you choose depends on the level of risk you are willing to accept and the level to which you believe the FT-SE will rise over the five-year period.

To reduce risk, the closing level of the FT-SE will be averaged over the final six-month period. But you would be entering the market at an all-time high (if the present level of the index is sustained until September), and future rises may not match those of the past.

The FT-SE would have to reach around 4,280 in five years' time from present levels in order to make the 40 per cent rise.

Oxford alumni may be attracted by the Balliol and Magdalen Colleges BES

BESt Investment, the intermediary and adviser, says that since properties will not be acquired until February, the sponsors will have to be quick in getting BES 3 certificates to investors who need them to claim tax relief if their tax coding is to be changed for the end of the tax year.

"The First Series companies offer an attractive fixed return together with excellent security," according to BESt. "The FT-SE linked companies do have the benefit of a lock-in, but at a rather higher level than we would have preferred."

Oxford alumni may be attracted by the Balliol and Magdalen Colleges launched by sponsor Hodgson Martin late last week. The Gilt-Edged Companies offer a cash-backed, fixed exit price of 121p. The FT-SE Companies offers a 60p fixed return plus 1.6p for every 1 per cent rise in the FT-SE. There is a lock-in of gains after a 25 per cent rise and a 50 per cent rise in the FT-SE.

Gilt-Edged Companies is backed by gilts held in favour of the BES companies but the backing for the FT-SE Companies is from an unnamed "financial institution."

"It is worrying that the financial institution providing the FT-SE 100 index Notes is not specified although it is stated that whoever does write the Notes will have a minimum long-term credit rating by Moody's of A1," according to Investment Analysis, which is published by the British Taxpayers Association.

The minimum investment for these BES issues is £2,000.

Meanwhile, investors in National Westminster bank's Homeshare scheme and BZW's Gracechurch companies face a further period of uncertainty. The Inland Revenue said at the end of last week that it would be appealing against the High Court judgment reversing its decision that the schemes were ineligible for tax relief.

The two issues had been caught by the Budget deadline abolishing loan-back schemes because the sponsors had allotted shares but had not listed the shareholdings in the companies' register of members in time.

BZW has said that its owner, Barclays bank, will make the loan back available from mid-September. However, investors who choose to take the loan, risk losing their tax relief if the High Court decision is overturned. The two banks have said that they will give customers their original investment back but this may not be enough to satisfy disappointed investors.

Free hand on mortgages

***Scheherazade Daneshkhu** looks at the growing demand for interest-only home loans*

THE MORTGAGE market is dominated by endowment and repayment loans, which together account for 85 per cent of new sales. But growing numbers of house-buyers are looking for interest-only mortgages where borrowers are free to choose the type of investment to repay the capital when the mortgage term ends.

Figures from the Building Societies Association indicate the increased popularity of interest-only loans, which have leapt from only 4 per cent of all new mortgages in 1991 to 14 per cent in the first quarter of 1993. The gain seems to be mainly at the expense of endowments.

These figures must, however, be treated with caution because of a change in the way the BSA collects them. It now asks lenders for a more detailed breakdown of the interest-only mortgages they sell (the categories being endowment, Pep, pension and interest-only).

As a result, it believes that part of the apparent increase in interest-only mortgages sold is due to endowments simply being recorded under a new heading.

Strictly speaking, an endowment *is* an interest-only mortgage, since the borrower pays only interest during the life of the loan. The premiums go to a life office, which invests the money (with some life cover thrown in) with the aim of repaying the capital at the end of the term.

Most endowment mortgages are sold as one product, though. The borrower takes out the loan but the endowment part is arranged by the bank or building society in what is usually an exclusive distribution agreement with a single life office.

Similarly, some banks and building societies link mortgages directly to Peps and pension plans. But it is much harder to find a pure interest-only mortgage where the lender lets you decide the type of savings method.

These were more common in the 1980s when people assumed that inflation and steeply-rising house prices would reduce the capital sum to an easily affordable amount when they came to repay it 25 years later. But many lenders now regard such loans as too risky.

"We believe it is only rarely appropriate for either a lender or borrower to take on a substantial loan commitment without a clearly identified and allocated mechanism or resource for repayment," says Geoff Ellerton, director of Midland bank's mortgage services.

"An interest-only mortgage is, in principle, an unmatched liability which creates significant additional risk for the borrower and dependants."

Along with several banks and building societies, Midland will grant such a mortgage only on a case-by-case basis. This will usually mean lending to an older borrower, who is assumed to be more financially aware or responsible than a first-time buyer, or on a second property which can be sold if necessary to meet the commitment.

Sometimes, the interest-only loan will be granted only if a large deposit is available or, paradoxically, on large loans – again, on the assumption that the borrower will be sophisticated about arranging a repayment plan.

Halifax building society, the UK's largest lender, offers interest-only mortgages on a minimum loan of £100,000 and gives a maximum advance of 90 per cent of the property's valuation.

It requires some kind of security or backing and says that the very flexibility of interest-only mortgages makes them "a very niche market for those people who may have other types of investments besides the more traditional one."

Bristol & West says that if the only security is the the property, it will restrict the loan to the society's basic advance – which is 75 per cent for loans under £50,000.

Lloyds bank follows a policy similar to Midland's in that it looks at individual cases before deciding whether to grant an interest-only mortgage. Customers must usually be aged at least 45 and the loan must be repaid by the main income-earner's retirement age (or 65 years, if earlier).

The bank would not normally offer a loan for more than 50 per cent of a property's value.

The Leeds will grant pure interest-only loans, but at one percentage point above the society's standard variable rate. The premium is waived for maturity loans to the elderly. National Westminster bank and Royal Bank of Scotland do not offer such mortgages at all

By contrast, some lenders have made a virtue out of offering interest-only loans. Cheltenham & Gloucester building society – which announced last week it would no longer sell insurance products – has concentrated on providing interest-only and repayment mortgages since 1990. Bradford & Bingley building society also provides interest-only loans.

The market for these mortgages is not as restricted as it might seem, since many lenders offering pension or Pep mortgages will give advice on repayment methods but do not insist that these are used to repay the loan at the end of the term.

Ian Darby, of mortgage broker John Charcol, says: "With a lot of lenders, you end up with an interest-only loan through the back door, since the lender does not take assignment of the policy."

This is both good and bad. It is a welcome development that there should be more ways than an endowment to repay an interest-only loan.

The down-side is that irresponsible borrowers, or those with little financial discipline, may find themselves in severe financial difficulty if they do not set up a long-term savings plan.

Your CGT allowances

THE TABLE shows capital gains tax allowances for assets sold in July. Multiply the original cost of the asset by the figure shown for the month in which you bought it. Subtract the results from the proceeds of your sale and the balance will be your taxable gain or loss.

Suppose that you bought shares for £5,000 in August 1984 and sold them in July 1993 for Pounds £13,000. Multiplying the original cost by the August 1984 figure of 1.564 gives a total of £7,820.

Subtracting that from the £13,000 gives a capital gain of £5,180, which is below the 1993-94 CGT allowance of £5,800. If you are selling shares bought before April 6 1982, you should use the March 1982 figure.

The RPI in July was 140.7.

CGT INDEXATION ALLOWANCES: JULY

Month	1982	1983	1984	1985	1986	1987
January	-	1.703	1.620	1.543	1.462	1.407
February	-	1.696	1.614	1.530	1.456	1.401
March	1.771	1.693	1.608	1.516	1.455	1.399
April	1.736	1.669	1.587	1.485	1.441	1.382
May	1.724	1.662	1.581	1.478	1.438	1.381
June	1.719	1.658	1.577	1.475	1.439	1.381
July	1.718	1.650	1.579	1.477	1.443	1.382
August	1.718	1.642	1.564	1.473	1.438	1.378
September	1.719	1.635	1.561	1.474	1.431	1.374
October	1.711	1.629	1.552	1.472	1.429	1.367
November	1.702	1.623	1.547	1.467	1.417	1.361
December	1.705	1.619	1.548	1.465	1.412	1.362
Month	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**
January	1.362	1.268	1.177	1.081	1.038	1.020
February	1.357	1.258	1.171	1.075	1.032	1.014
March	1.352	1.253	1.159	1.071	1.029	1.010
April	1.330	1.231	1.125	1.057	1.014	1.001
May	1.325	1.223	1.115	1.054	1.010	1.000
June	1.320	1.219	1.110	1.049	1.010	1.000
July	1.319	1.218	1.110	1.052	1.014	
August	1.304	1.215	1.098	1.049	1.013	
September	1.298	1.207	1.088	1.045	1.009	
October	1.285	1.197	1.080	1.041	1.006	
November	1.279	1.187	1.082	1.038	1.007	
December	1.276	1.184	1.083	1.037	1.011	

Source: Inland Revenue

The Week Ahead

WH Smith, the national newsagent and retailer, is expected to report flat pre-tax profits for the year ended May 31 of around £130m.

Profits will be better, or at least static, in all divisions except the Do it All DIY joint venture with Boots. The losses there are likely to rise to about £12m from £2.7m a year earlier, reflecting price competition in the sector and the venture's problems. Smiths might lift the final dividend from the previous year's 9.1p but the market is not taking this for granted.

Interim profits at Guardian Royal Exchange, to be announced on Thursday, should be in line with the three composites already announced. Some £65m is expected, against losses of £39m last time, indicating the recovery of UK underwriting. However, under FRS 3, investment gains will now be included above the line, resulting in a maximum headline figure of £155m.

Medeva, the fast-growing UK drugs company which had its stock market value slashed from £589m to £295m in July following a warning that full-year profits would be some £10m less than expected after overstocking in the US, unveils its interim results on Tuesday. Analysts are unwilling to estimate how much of the shortfall will occur in the first half. Between £16m and £18m has been tentatively pencilled in this time, against £14.1m last.

Rentokil, the environmental and property services company whose hostile £75.7m bid for Securiguard, the security and cleaning group, was recommended in July, reports interim results on Thursday. Profits of between £63m and £64m pre-tax are expected, though last time's £51.5m will be restated for FRS 3 and the group, where 60 per cent of profits come from outside the UK, is also moving to average, rather than period-end, exchange rate calculations. The dividend could rise from 0.64p to 0.78p.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Assoc Fisheries	146*§§	144	124	6.44¥	Linton Park
Flogas ‡	325*	311	255½	79.40 ††	DCC
Harrison Inds.§	5½	5	5	5.90	Strategem
Man Ship Canal	£33½*	£27¼	£21¼	£26.80	Peel Hldgs
Securiguard †	270*	339	185	59.20	Rentokil
Watts Blake	420*§	435	391	87.30	Sibelco

*All cash offer. ††Value of bid based on 30% stake. §For capital not already held. † Unconditional. **Based on 2.30 pm prices 20/8/93. §§Shares and cash. ¥Value of bid based on remaining 20% of shares. ¶Value of bid based on remaining 25% of shares. ‡ Figures as quoted in Irish currency.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Benson Group	Eng	May	1,923	(915)	1.45	(1.09)	0.3	(0.1)
Bristol Channel Ship	Eng	Mar	231 L	(763)	-	(0.21)	-	(-)
British Thornton	Misc	Apr	1,300	(947)	0.98	(1.04)	0.25	(-)
Bucknall Group	Prop	Apr	1,330 L	(1,920 L)	-	(-)	-	(-)
Conrad Ritblat	Prop	May	184 L	(525 L)	-	(-)	-	(0.5)
County Smaller Cos	InTr	Jun	714	(652)	3.4	(3.17)	3.0	(3.0)
English & Caledonian	InTr	Jun	152 ‡	(245 ‡)	4.28	(5.46)	4.0	(3.75)
Genesis Emerging	n/a	Jun†	1,500¥	(580¥)	26.0	(10.9)	28.0	(10.0)
Heath (Samuel)	Misc	Mar	361	(308)	8.5	(7.3)	5.5	(5.5)
Hoskins Brewery	B&D	Mar	96	(83)	1.77	(1.38)	-	(-)
Joe Holdings	InTr	Jul	978	(712)	11.63	(5.89)	11.65	(5.65)
New London	O&G	Mar†	23,700 L	(1,480 L)	-	(-)	-	(-)
Ovoca Resources	n/a	Dec€	8 L	(519 L)	-	(-)	-	(-)
Stonehill Holdings	Misc	Mar	264	(49)	0.027	(-)	-	(-)
Unit Group	PP&P	Mar	388 L	(139)	-	(0.8)	-	(-)
US Smaller Cos	InTr	Jun	323	(173)	0.64	(0.54)	0.6	(0.4)
WB Industries	Eng	Dec	795 L	(1,880 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
ADT	n/a	Jun†	68,700	(69,700)	-	(-)
Alliance Tst	InTr	Jul	16,730	(16,020)	14.5	(14.0)
Argos	Strs	Jun	13,200	(9,510)	2.36	(2.2)
BICC	Elec	Jun	51,000	(58,000)	6.0	(8.2)
Britannic Assurance	MLI	Jun	-	(-)	3.85	(3.43)
British Syphon	Eng	Jun	2,300	(2,620)	-	(2.2)
Broadcastle	OtFn	Jun	224	(155)	0.25	(-)
Campbell & Armstrong	C&C	Jun♦	81	(563 L)	-	(-)
City Centre Rests	H&L	Jun	4,780	(4,320)	0.45	(0.45)
Clarke (T)	Elec	Jun	274	(872)	1.26	(1.26)
CSC Inv Tst	InTr	Jun	19 ‡	(30 ‡)	1.5	(1.5)
Cussins Property	C&C	Jun	557	(584 L)	1.0	(-)
Dewhurst Dent	Tex	Jun	3,557	(1,970)	1.5	(1.75)
Dunedin Inc Growth	InTr	Jul	5,210	(3,070)	8.75	(8.5)
Epwin Group	BdMa	Jun	1,750	(1,310)	2.3	(2.1)
Evans Halshaw	Mtrs	Jun	3,720	(1,510)	3.8	(3.6)
F&C Enterprise	InTr	Jun	374 ‡	(349 ‡)	-	(-)
Fidelity European	InTr	Jun	474 ‡	(-)	-	(-)
Fife Indmar	Eng	Jun	424	(236 L)	0.75	(0.5)
Fleming Mercantile	InTr	Jul	6,000	(5,200)	1.675	(1.675)
GT Chile Growth	n/a	Jun†	8,010	(5,230)	0.0	(-)
Haden MacLellan	Eng	Jun	1,600	(2,400)	1.0	(1.3)
Hanson	Cong	Jun	763,000¥	(905,000¥)	2.85 §	(2.75 §)
Honiton Small Apparel	Tex	Jun	555	(1,460)	1.0	(1.0)
Kalon Group	BdMa	Jun	8,730	(8,160)	1.3	(1.0)
Kode Intl	Elec	Jun	710	(336)	2.0	(1.5)
LGW	Misc	Jun	329	(408)	1.6	(1.125)
Malaya Group	Mtrs	Jun	153 L	(180 L)	-	(-)
Maple Leaf	n/a	Jun♦	16,600¥	(20,000¥)	-	(-)
Medway	BdMa	Jun	13,200	(8,100)	2.1	(2)
MBG Income Inv	InTr	Jul	7,550	(5,840)	1.8	(1.8)
New Zealand Inv	InTr	Apr	164	(233)	0.6 §	(-)
Newton Hill	Prop	Jun	52	(18)	-	(-)
North Midland Cons	C&C	Jun	26	(56)	0.4	(0.4)
Portsmouth Pottery	Pkg	Jun	1,500	(1,400)	2.25	(2.25)
Quicks Group	Mtrs	Jun	1,380	(1,110)	2.0	(1.75)
Ransomes	Eng	Jun	1,210	(1,840)	-	(-)
Ree Brothers	MdBk	Jun	882	(284)	0.3	(0.25)
Richardson West	Eng	Jun	1,420	(1,030)	1.3	(1.25)
Rosebys	Strs	Jun	881	(806)	1.4	(0.9)
Sea Containers	n/a	Jun‡	17,900¥	(13,600¥)	-	(-)
Seacon Holdings	Tran	Mar	618	(1,050)	2.3	(2.2)
Sedgwick Group	InBk	Jun	54,700	(61,700)	3.0	(3.0)
Sherwood Computer	BsSr	Jun	541	(1,750)	1.75	(1.75)
Sothebys	n/a	Jun†	19,100	(9,090)	6.0§§	(15.0§§)
Takare	H&H	Jun	6,580	(5,033)	0.7	(0.6)
Unilever	FdMa	Jun	984,000	(919,000)	-	(-)
Wickes	BdMa	Jun	4,080	(6,500)	0.2	(-)
Willis Corroon	InBk	Jun	63,100	(54,100)	1.85	(3.3)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Figures quoted in US dollars & cents. ¥ = Net figures. ‡ = Net revenue. ♦ = Figures for three months. § = Third interim dividend. ¶ = Figures for 6 months. ♣ = 2nd quarter figures quoted in Canadian dollars. ⅞ = Net profits. ψ = 2nd interim dividend. € = Figures quoted in Irish pounds & pence. §§ = Quarterly dividend.

RIGHTS ISSUES

Cussins Property is to raise £2.5m via a 1-for-4 rights issue at 75p.
HM Holdings is to raise between £900,000 & £2.1m via a 6-for-1 rights issue.
Phoenix Timber is to raise £1.41m via a 5-for-8 rights issue at 8p.
Sedgwick Group is to raise £143.7m via a 1-for-5 rights issue at 185p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

British Thornton is to raise £5.6m via a placing of 43m shares at 13p.
Europa Minerals has announced that Burnside, the Australian gold mining company in which it has a 38.5 per cent stake, is to raise £3.45m via a placing of 1.5m shares at A$2.30.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS					
Aerospace Engineering	Eng	Monday	0.5	0.5	0.25
Minerals Oils & Res	Mins	Friday	-	-	-
Murray Income Tst	InTr	Thursday	2.2	4.0	2.25
Primadona	InTr	Thursday	2.0	2.5	2.0
Property Tst	Prop	Wednesday	-	-	-
River & Mercantile Smaller	InTr	Tuesday	1.25	2.85	1.25
Smith (WH)	Strs	Wednesday	4.3	9.1	4.3
Stanelco	Eng	Monday	-	-	-
Surrey Group	H&L	Friday	-	-	-
West Tst	Tex	Friday	-	0.25	-
INTERIM DIVIDENDS					
Aegis Group	Med	Monday			
Amicable Smaller Ent	InTr	Tuesday	1.375		
Bostrom	Misc	Tuesday	1.7	1.7	
Bournemouth Water	Wat	Tuesday	2.5	3.5	
Bridon	Eng	Thursday		8.0	
British Assets Tst	InTr	Friday	1.25	2.75	
Burlington Group	OtFn	Wednesday	1.04	1.07	1.07
Cattle's Holdings	OtFn	Thursday		0.6	
Church & Co	Tex	Monday	1.6	2.6	
Copymore	Misc	Tuesday	3.0	9.5	
Coats Consulting	Misc	Wednesday	1.0		
Daniels (S)	Fd	Tuesday			
EFT Group	OtFn	Monday		0.25	
Finsbury Small Cos Tst	InTr	Tuesday	0.4	0.9	
Fleming Claverhouse	InTr	Tuesday	1.0	2.5	
Gibbs & Dandy	BdMa	Tuesday	2.5	3.2	1.25
Grasslyn	Prop	Tuesday			
Guardian Royal Exchange	InCo	Thursday	3.3	7.6	
Guinness Peat	OtFn	Monday	2.8	4.5	
Hambro Countrywide	Prop	Thursday			
Hemingway Properties	Prop	Tuesday	0.05		
Hibernian Group	InCo	Monday			
Hickson Intl	Chem	Wednesday	2.1	4.1	
Holmes Protection	Misc	Tuesday	2.85	5.15	
Independent Newspapers	Med	Wednesday			
Invesco Eng Inc	InTr	Monday	5.5	10.0	
Jones (A) & Sons	InTr	Tuesday	1.0	2.0	
Kerry Group	FdMa	Tuesday			
LEC Refrigeration	Eng	Friday	0.78	1.47	
London & Overseas Freighters	Tran	Friday	4.0	5.0	
Mallett	Strs	Thursday		2.0	
Mayflower Corp	Mtrs	Monday		2.0	
McAlpine (Alfred)	C&C	Tuesday	0.4	0.85	
Medeva	Hlth	Tuesday			
Merlin Intl Green Inv	InTr	Thursday	0.75	1.5	
Mersey Docks & Harbour	Tran	Thursday	3.0	5.0	
Monument Oil & Gas	O&G	Tuesday	2.5	5.0	
Murray Intl Tst	InTr	Tuesday			
Navan Resources	Mins	Tuesday	2.7	3.5	
Newcastle United Building Society	Mins	Tuesday			
Portland Group	Misc	Tuesday			
Rentokil Group	Misc	Thursday	1.04	1.6	
Rea Group	Misc	Tuesday	0.64	1.67	
Scottish Eastern Inv Tst	InTr	Thursday			
Scottish Investment Tst	InTr	Thursday	0.5	1.6	
Sharco Group	InTr	Friday	1.2	3.02	
Slough Estates	Prop	Thursday	2.4	2.8	
Suleigh	InTr	Tuesday	3.1	5.0	
Telegraph	Med	Thursday			
TR High Inc Tst	InTr	Tuesday	4.5	6.5	
Victaulic	Eng	Tuesday	7.4	12	
Wace Group	Misc	Tuesday	2.5	5.3	
Wales City of London Props	Prop	Thursday	2.25		
Weir Group	Eng	Tuesday	0.77		
West Hampshire Water	Wat	Tuesday	3.5		
Wilkes (James)	Misc	Friday	3.25	36.0	
WPP Group	Med	Wednesday		0.25	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ♦ = 3rd quarter figures. ψ = 1st quarter figures. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

Unit Trusts/Lazard's European Growth

'No-load' pioneer passes the performance test

Philip Coggan looks at a fund which does not make an initial charge

THE CONCEPT of a "no-load" fund, a collective equity vehicle without an initial charge, is common in the US. In the UK, such funds are still rare, with the norm being initial charges of 5-6 per cent.

One UK fund management group which has blazed a trail is Lazard, which abolished the initial charge on its trusts in 1988. Such a charging structure can make quite a difference to investors. The bid-offer spread on Lazard's European Growth fund on August 1 was just 0.88 per cent; on the average European trust, the spread was 5.91 per cent. That means an investor who puts £100 into the Lazard trust had £99.12 of his money working for him; in the average European trust, that sum would be just £94.09.

Many in the unit trust industry argue that charges are a relatively unimportant issue. What really matters, in their view, is performance.

Lazard's European Growth trust does not fall down on that score. According to Micropal, it was second out of 92 European unit trusts over the five years to August 1, with growth of 129.8 per cent (offer-to-bid with income reinvested).

The trust's record is consistent. It is fifth (out of 120 funds) over three years, growing by 24.8 per cent and 16th (out of 128) funds over one year, with a return of 28.1 per cent.

The European Growth trust was set up in October 1986. "We previously had trusts for in-house clients but we did not have an authorised vehicle which could be sold directly to the public" says Patricia Maxwell-Arnot, who has managed the trust since launch.

The strong performance has helped to attract investors, although the fund does not pay commission. When launched, the fund had just under £3m under management; it has now passed the £100m mark.

Like the Schroder UK Enterprise fund, covered in last week's issue, Lazard European Growth invests in a limited number of stocks – 44 at present. But whereas the Schroder fund sees this concentration as part of its "aggressive" approach, Lazard's Maxwell-Arnot says "We see ourselves as risk-averse prudent investors. We think about the downside as much as the upside."

"The big danger of investment is buying things and then finding you can't sell them," adds Maxwell-Arnot. "Accordingly, we focus on marketability and opt for large markets, and large stocks."

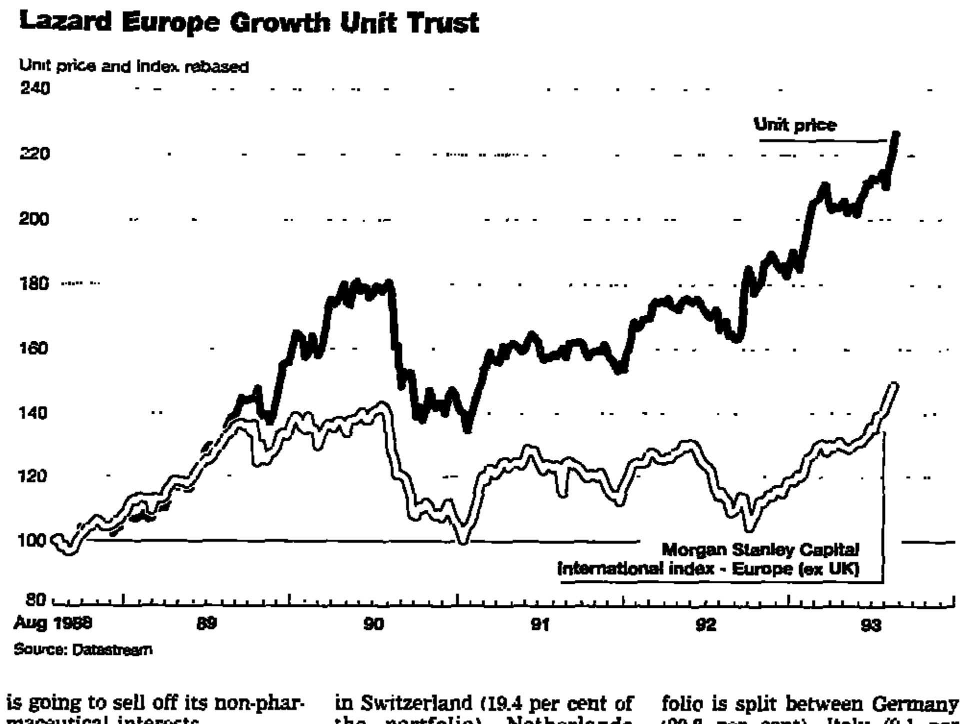
In terms of stock selection, Maxwell-Arnot says: "We are looking for companies which are undervalued, because if something is cheap, the downside is limited. We look at valuation measures such as price to cashflow and price to book (asset value) rather than at price-earnings ratios. The turnover of our fund is very low." She adds: "We identify shares which are good value and stick with them."

The largest 10 holdings are: SIP (the Italian telecoms group), UBS (the Swiss bank), Deutsche Bank (the German bank), ABN-Amro Bank (the Dutch bank), Axa (the French insurance group), Roche (the Swiss pharmaceuticals group), Schering (the German chemicals and pharmaceuticals group), BMW (the German car maker), Bayer (the German chemicals company) and Valeo (the French car components group).

The top 10 shows a concentration of financial companies, which Maxwell-Arnot believes will benefit from falling interest rates. Some stocks such as UBS have already risen sharply, but she says "it is still cheaply rated relative to other banks and in terms of quality is one of the best in Europe."

Other selections fit the Lazard criteria for undervaluation. SIP is seen as exceptionally cheap at a price of 1.5 times cashflow. Maxwell-Arnot says Schering is priced at seven times cashflow which she sees as a very cheap rating for a company which has declared it is going to sell off its non-pharmaceutical interests.

Lazard Europe Growth Unit Trust



Source: Datastream

In terms of geographical allocation, the fund is overweight in Switzerland (19.4 per cent of the portfolio), Netherlands (13.5 per cent), and France (27 per cent). The rest of the portfolio is split between Germany (20.2 per cent), Italy (9.1 per cent), Spain (4.2 per cent), Sweden (3.2 per cent) and Belgium (2.8 per cent).

Maxwell-Arnot says: "Our biggest underweight position has been in Scandinavia," - a strategy which has not proved helpful to the fund's performance but which flows from the trust's concentration on Europe's larger markets.

Looking ahead, Maxwell-Arnot is bullish about the prospects for European equities. "On a price-to-cashflow ratio, European markets look very cheap relative to the US and the UK. European equities also look cheap relative to bonds."

"French interest rates will come down, as reality dawns on PM Balladur. Rates are too high, given the level of unemployment and the state of the economy." Across Europe, she argues that the low yields on cash and bonds will cause the valuations of stocks to rise.

■ Charges. As highlighted above, the fund has no initial charge. The annual charge is 1.5 per cent. The minimum investment in the fund is quite high, by industry standards, at £5,000. The trust is Pepable, but Lazard has no specific plan attached to it.

Directors' Transactions

WITH THE stock market continuing to rise, sales of shares by directors continue to outweigh purchases, although the volume this week is substantially lower than last.

Shares in Savills have recovered steadily since Geoffrey van Cutsem bought 20,000 at 30.5p in January. This week, he was among eight directors selling a total of 1.56m at a price of 52p.

Since coming to the market in July last year, shares in Anglian Group, a building materials company, have risen by more than 70 per cent. At the time of flotation, it was announced that when the price reached a certain level, the four executive directors of the company would reduce their holdings. They have now sold 975,000 shares.

The share price of St James Place Capital has risen steadily over the past year and Nils Taube and Clive Gibson have reduced their holdings by 791,963 and 500,000 (to 5,014,254 and 1,919,810) respectively.

These sales follow purchases at 137p by Sir Mark Weinberg, the joint chairman, and Anthony Leonis at the end of July, just after the company said it would acquire International Financial Markets, a London-based investment manager.

The sale of 850,000 shares in British Land by John Ritblat followed the purchase of 2m shares at a price of 298p from Quantum Partners, the investment vehicle of George Soros, the currency speculator and international investor, as was agreed at the start of June this year.

Colin Rogers, the Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
ACT Group	Elns	279,847	523	3*
Anglian Group	BdMa	975,000	3,325	4
Automated Secs	BuSe	32,407	51	1
Bellway	C&C	3,400	14	1
Boxmore Intl	Pack	5,000	12	1
British Land	Prop	404,205	1,427	4*
British Land	Prop	850,000	3,001	1
Davenport Vernon	Motr	25,000	35	1
Racal	Elns	5,000	12	1
Savills	Prop	1,560,000	811	8
St James Place Cap	OthF	1,291,963	1,938	2
TI Group	EngG	320,000	1,123	1*
Warner Estate	Prop	23,120	55	1
PURCHASES				
API Group	Pack	10,000	30	1
British Land	Prop	2,000,000	5,960	1
Cardo Engineering	EngG	30,000	73	1
Haemocell	Hlth	35,000	33	4
Mansfield Brewery	Brew	1,321	10	1
Mercury Asset Mngmt	OthF	6,000	40	1
Mosaic Investments	Cong	1,130,013	203	4
Owners Abroad	H&L	30,000	22	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 9-13 August1993.
Source: Directus Ltd, The Inside Track, Edinburgh

News in Brief

John Charcol, mortgage broker, says that since many people think that base rates may be cut, it is offering a mortgage, combining a capped rate followed by a fixed rate. The capped rate is 4.95 per cent (APR 8.1) until September 1994 (for loans under 75 per cent of the purchase price) and 5.95 per cent for larger loans.

The fixed rate will be 7.99 per cent (8.1 APR) until September 1997. There are no compulsory insurances, the offer is available on all types of mortgage and it is portable. The application fee is £250 and the redemption penalty is four months interest.

Fixed rate mortgages are still popular and Woolwich building society has brought out a rate of 6.4 per cent (8.1 APR) for first-time buyers only, fixed for two years for an application fee of £225. Existing home-owners can opt for a three-year 6.95 per cent deal (8.1 APR) and a five-year 7.5 per cent rate. The fees are £250 for the first and £275 for the second. Fixed rates are available on all types of mortgage and are portable.

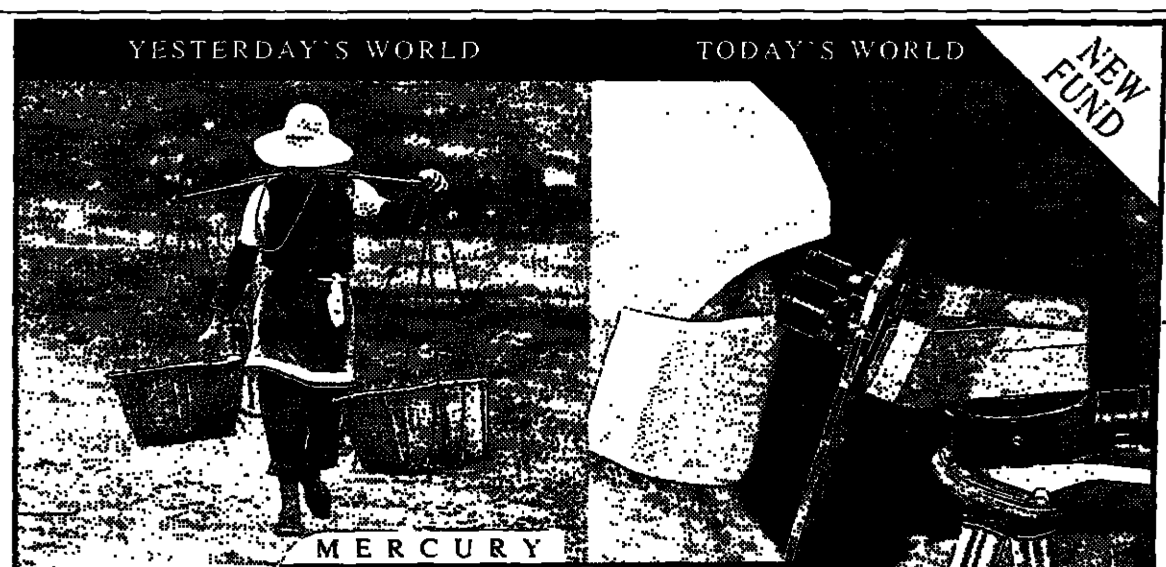
Cheltenham & Gloucester has a portable three- year mortgage fixed at 7.25 per cent (8.2 APR) for a minimum deposit of 10 per cent from new borrowers. The application fee is £250 and the mortgage is available on repayment or interest-only loans. C&G is offering a 2 percentage point reduction off its standard variable rate (making the rate 5.99 per cent) for new borrowers who have a 25 per cent deposit. Those with a 10 per cent deposit can have a reduction of 1 percentage point. The discount lasts 12 months.

National & Provincial building society is also offering discounts off its variable rate of 7.99 per cent but to first-time buyers. Those borrowing up to 75 per cent of the property's purchase price will get a reduction of three percentage points, those needing up to 90 per cent can borrow at a discount of two points, while 95 per cent loans are available at 1 point below the variable rate. Discounts last for 12 months and buildings and contents insurance has to be arranged through N&P.

TSB is offering a five year fixed rate of 7.69 per cent on endowment (8.2 APR, pension (8.2 APR) and repayment (8.4 APR) mortgages. The arrangement fee is £250 and the bank's buildings and contents insurance has to be taken out.

Midland bank has launched fixed rate mortgages available only on an endowment or pension basis. The two-year mortgage is fixed at 6.75 per cent (8.1 APR) for a £195 fee. The rate for the five-year fix is 7.75 per cent (8.3 APR) while the 10 year fix is 8.45 per cent (8.7 APR). The fee for the last two rates is £250. Existing life policies will be accepted but any new cover has to be arranged through Midland Life and first-time buyers must also take the bank's buildings and contents insurance. There are early redemption penalties on these fixed-rate deals.

■ The Department of Trade and Industry has issued a warning to motorists who have insurance in the name Mandarin Motor Policies & National Insurance Company through Car Tective, based in Windsor, or Car Tective's agencies in the Southampton area. Mandarin Motor Policies & National Insurance Company, a US company, is not authorised to carry on insurance business in the UK, and motorists should arrange alternative cover urgently.



FINANCE AND THE FAMILY

The smallest tax haven

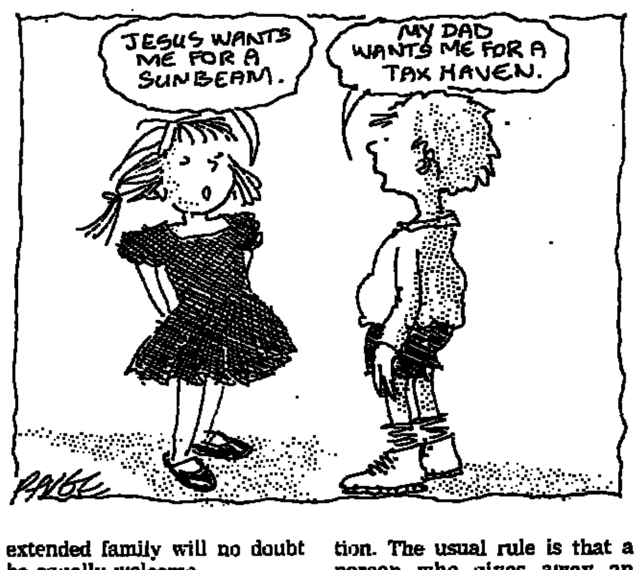
***David Cohen** on an under-exploited source of exemptions: children*

LOOKING FOR a tax haven? Thinking of an exotic faraway *location like the Caymans or Bermuda?* Think again. The most economical tax shelter of all could be sit*ting across the table from you* eating Sugar Puffs.

Children are still an under-exploited source of tax exemptions, *even though the* opportunities for financial family planning have been cut back in recent years. From the moment of birth, every child is entitled to the same income and capital gains tax allowances as an adult. Hence, in this tax year, a child can receive income of £3,445 and make gains of £5,800 without paying tax. If a 40 per cent taxpayer can divert income and gains of that magnitude to his child, the family will save a total of £3,698 (40 per cent of £3,445 plus £5,800).

This would be a beautifully simple way of being generous to your kids and cocking a snook at the taxman simultaneously - were it not for one big snag. The Inland Revenue *anticipated the scope for tax* avoidance and decreed, years ago, that income transferred by a parent to an unmarried child under 18 would continue to be taxed as the parent's. A small concession is that this rule is not invoked where the income arising in a financial year does not exceed £100.

So, if a child's allowance is to be utilised, somebody other than mum and dad will have to provide the cash. The prime candidates will usually be *grandparents, although dona*tions from members of the extended family will no doubt be equally welcome.



The ideal solution is for grandpa to transfer income-producing assets into a trust for the benefit of his grandchildren. Provided the trust is structured properly, the income can be applied to pay*ing school fees or meeting* other living expenses, and the children's personal allowances can be utilised fully.

If grandpa wants to hold on to his capital, though, the tax-saving opportunity will be lost. It used to be possible to enter into a seven-year deed of covenant, the effect of which was to transfer gross income to the recipient, but the loophole was closed in 1988.

Another piece of tax legislation has made it a great deal *more difficult to take* advantage of a child's CGT exemption. The usual rule is that a person who gives away an asset is taxed as if he had sold it at market value. But if both donor and donee agreed, the CGT liability could be "held over." Basically, this means the donor pays no tax and the donee inherits the donor's CGT base value.

Unfortunately, the categories of assets which can be held over have been curtailed severely. Only shares or interests in private companies now qualify - quoted shares and real estate do not. Hence, the old trick of giving a child an asset which was "pregnant" with capital gains, and sheltering the gain inside the child's annual exemption, no longer works - unless the parent owns some unquoted shares.

How else can the CGT exemption be utilised? One way would be to "stag" new issues on the child's behalf. Even if the funds are provided by a parent, the gains will still be taxed as the child's: there is no CGT equivalent of the rule nullifying the transfer of income.

If sufficient monies are available, investments can be made on the child's behalf. The *emphasis* should be on low-cost products rather than more expensive, tax-driven alternatives.

There is no point in paying for tax efficiency if the likely returns will be sheltered by the youngster's exemptions, anyway. *Logic points in favour* of something as straightforward as an investment trust savings scheme rather than one of the more complex *insurance-re*lated products.

Since all these arrangements involve making gifts, the inheritance tax implications will need to be considered. But IHT rarely will be a reason for not proceeding with an otherwise tax-effective gift. Most gifts will be potentially-exempt transfers, and those which are not should be covered by annual and other exemptions or, as a last resort, the £150,000 nil rate band.

Families planning to exploit their progeny's tax capacity must understand that children have to be allowed to retain any cash or assets given to them. Any attempt to set up a circular arrangement for the benefit of the parent would fall foul of anti-avoidance guidelines laid down by the courts.

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

Diary of a Private Investor/**Kevin Goldstein-Jackson**

Keep an eye on friends

EARLIER this month, I got a welcome pay-out. In 1983, my wife and I each agreed to invest the maximum £240 a year in a family investment plan with the Lancashire and Yorkshire assurance society. Part of it paid for life cover while the rest was invested in *a "balanced portfolio."* According to the promotional literature, this might produce for each of us a sum of £4,661 after 10 years "based on a gross rate of 12 per cent a year compound growth."

One of the main attractions of the plan was that, because the L & Y is a "wholly tax-exempt friendly society," the sum *paid out at the end of 10 years* would be "completely free from income tax, corporation tax, higher-rate tax and capital gains tax."

All seemed well until late last year when the society issued a statement saying several problems had come to the attention of its new committee of management. Perhaps the most *serious was the* revelation that £4.3m had been lost on property deals by the society's Capital Secure fund.

Many of the policies based on this fund were written (in the society's words) "on a basis specifying the areas of investment in terms which did not include property. These policies should not, therefore, have been exposed to the loss on property investment which has, in fact, occurred."

I was very concerned - especially when I checked my records and saw from the original promotional literature that 50 per cent of the balanced *portfolio was supposed to* be invested in Capital Secure (although, fortunately, the other 50 per cent was to be invested in Gartmore's British trust which, over the six-year period to January 1 1983, was reported to have returned 266 per cent). The 50 per cent of the fund to be invested by L & Y managers was said to be in "trustee status investments such as government securities and fixed interest stocks."

Capital Secure's property losses were not the only thing to alarm me. If it was found that the society had to compensate the holders of those policies, then, I wondered, how would that compensation be calculated? Would there be a levy on its members, since a friendly society is owned by its policy-holders? And since L & Y is quite small - at the end of 1992, it only had 71,541 policies in force - would it have to merge with another society?

The other problems with L & Y were largely associated with uncertainties over the tax treatment of various policies, although my own were not affected. And, fortunately, the pay-outs my wife and I got this month were £4,781.85 each - slightly more than the example cited originally.

Many of the uncertainties regarding the tax treatment of other people's policies have now been resolved, and the High Court is expected to rule late next month on compensation over the property losses. But, as J.C. Ramsden, chairman of the society, pointed out in his statement to members in April this year: "The society together with its assets or liabilities does, by its very *nature, belong to all members.* Thus, if a number of members seek compensation against the society, in a sense they seek compensation against themselves."

(Personally, I would have hoped that any compensation could have been recovered from the society's former managers and advisers who had permitted a fund to invest in property when it was not supposed to.)

When the court hands down its ruling, various proposals are likely to be put to members about the future of the society. The chairman has given assur*ances that "every option* will be considered".

As I have ceased to be a member, having taken the cash pay-out under my policy rather than letting the society retain the funds for further investment, I will not have a vote. But I do hope the society survives in some form as I have been especially impressed with the way in which Ramsden - who was not on the board when the problems first arose - has tried to sort them out.

Friendly societies have existed in one form or another for hundreds of years, based on the proposition that groups of *people should contribute to a* collective fund that will provide benefits to members in times of need. With the government seeking a review of various aspects of the welfare state, perhaps there will be an even greater role for these societies to play.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0902 302090	Postal	£500	6.75%	Yly
Britannia BS	Capital Trust	0538 398115	Postal	£2,000	6.80%	Yly
				£10,000	7.05%	Yly
Manchester BS	*Money by Mail*	*081 839 5545*	*Postal*	*£25,000*	*7.25%C*	Yly
NOTICE A/cs and BONDS						
Exeter Bank	9 Day Call	0392 50635	9 Day	£1,000	6.50%	Mly
Greenwich BS	Capital Shares	081 858 8212	30 Day	£10,000	7.35%	Yly
Universal BS	High Income Bond	091 232 0973	1 Year	£50,000	8.35%A	Yly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	8.00%B	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 398115	Postal	£5,000	6.55%	Mly
Bristol & West BS	Balmoral Monthly	0800 100117	30 day	£25,000	7.55%	Mly
Bristol & West BS	Limited EditionBd	0800 486487	31.1.95	£25,000	7.81%	Mly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	7.73%B	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		*0372 739702*	*5 Year*	*£3,000*	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.85%	Yly
				£25,000	6.85%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.93%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investmt	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	*Key Term*	0481 710150	*31.8.94*	*£5,000*	6.70%E	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.65%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	5.25%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	5.65%	Yly
Consolidated Life FN		081 940 8343	4 Year	£2,000	6.10%	Yly
Hill Samuel FN		081 686 4355	5 Year	£5,000	6.30%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%G	Yly
	Income Bonds		3 Month	£2,000	7.00%H	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%I	Yly
				£20,000	6.74%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate.
A = Rate guaranteed until 1.11.93. B = Rate guaranteed to be at least 2% above base rate (Min 8%) until 2.1.94 and then 1% above base until maturity. C = 0.75% bonus if no withdrawals pa. E = Rate guaranteed until 1.12.93. G = Investments of over £25,000 earn 6.5 per cent. H = Investments of over £25,000 earn 7.25 per cent. I = Balances of over £20,000 earn 6.74 per cent.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD
Readers can obtain a complimentary copy by phoning 0692 500677

FINANCE AND THE FAMILY

Protect yourself against those thieves who get too personal

*Home computers and mobile telephones are being used widely – but losses are soaring, too. And getting insurance can be tricky, as **Bethan Hutton** discovers*

PERSONAL computers and mobile telephones are finding their way into the homes and cars of more and more people. Unfortunately, they are delicate, easily-damaged pieces of equipment – and extremely attractive to thieves.

How you insure a domestic personal computer will depend on what you use it for. If it is purely for personal and family operations – playing games, writing letters or doing the household accounts – it should be easy to insure under your home contents policy, in the same way as any other electrical item.

An expensive machine, however, might have to be named on the policy, which could cost more. One point to watch for is that not all home contents policies include accidental damage. This can be particularly important with computer equipment, as even a spilt cup of coffee can cause havoc with the system.

If you ever use the computer for business, whether your own or your employer's, cover under your home contents insurance could be invalidated. Should you have any doubt about what constitutes business use, consult your insurance company; some are more flexible than others.

Very few home contents policies specifically include equipment used for business. One which does is Sun Alliance and Chubb's Masterpiece, an up-market home and contents policy. This covers automatically any business furnishings and equipment in the home, as well as the more usual home contents, and will also pay to replace personal data on a home computer. The snag is that it is available only to people living in houses with other expensive valuables.

Other insurance companies will want to check the exact set-up before agreeing to cover home computers used for any degree of business. If they think the computer falls more under business than personal use, they may offer to add business cover to your household policy – at a price.

Anyone who runs a business from home could also find it prudent to seek protection against loss of computer data after an accident, or loss of income due to business interruption. This is the type of specialist cover provided by commercial policies.

Mainstream office policies are not designed for people working from home; the minimum premiums and security requirements can make them impractical for one-person small businesses. But two companies now offer insurance specially designed for such circumstances: London & Edinburgh, and Tolson Messenger.

L & E's Home-Work policy covers home and business contents together. Optional cover is available for buildings, accidental damage, all-risks, business interruption, liability, goods in transit and so on, depending on each client's circumstances.

The premiums will depend on what is covered, your postcode, and the kind of business in which you are involved. Accountants working from home will pay less than picture restorers, for example.

Tolson Messenger's Home Office policy is confined to business rather than personal contents. It also covers business interruption, loss of money, personal assault, and liabilities. There is an automatic £1,500 of all-risks cover for items such as portable computers removed temporarily from your office. For £7,500 of contents cover, the standard premium is £120, rising to £265 for the maximum £20,000. There are some security conditions, such as adequate locks.

Portable computers can present added difficulties, as they need to be insured for use outside the home and are seen as more vulnerable to theft and damage. They can usually be covered under home contents personal possessions, or all-risks extensions; but if you take a portable computer home from work regularly, make sure it is covered by your employer's insurance.

National Vulcan has a very comprehensive computer policy, which includes portables, but it is designed for business users. High levels of cover and minimum premiums mean it is worthwhile only if you have extremely expensive equipment which you use a lot or take abroad.

Thefts of mobile 'phones are soaring. Organised thieves steal them to order, reprogramme them and sell them on, sometimes within minutes of the theft, while more amateurish thieves may rack up large airtime bills on your telephone if there is a gap between its being stolen and your reporting the theft. If you have your own rather than a company one, you might be offered insurance by your supplier, but this will add considerably to the cost as premiums have been pushed up by high damage and theft claims. For this reason, not all mobile 'phone companies offer insurance.

Aztec is one that does and there is a variety of packages. Subscribers can choose from mechanical breakdown cover for £3.95 a month; theft and accidental damage for £4.95; the two combined for £7.95; or a package that also includes air-time misuse (unauthorised calls made after a 'phone is stolen) for £8.95.

Again, mobiles can be covered under personal possessions or all-risks sections of your home contents or office insurance, but these options are unlikely to reimburse you for air-time misuse, and will not cover mechanical breakdown and related expenses.

Regular income from Pru

THE PRUDENTIAL has launched a distribution bond designed to appeal to investors who want a regular income. The fund, which will invest in gilts, shares and property, will distribute its growth in the form of extra units. These can be cashed-in to generate the income, or re-invested. Income can be paid monthly, quarterly or half-yearly.

The first 5 per cent of income taken in a year will be tax-free. Basic rate taxpayers can take out more than this without incurring a further tax charge, since tax has been paid by the fund already.

Higher-rate taxpayers, however, may face a further charge – based on the difference between basic rate and top rate tax – if they withdraw more than 5 per cent a year.

The success of Sun Life's distribution bond, which has produced an extremely good investment performance over the past 10 years, is inspiring other companies to enter the market.

The idea of getting extra units (rather than merely increasing the unit price) seems to have appeal, although it is rather like getting a scrip dividend instead of cash.

But the investment mix of these bonds, which tends to be somewhat on the conservative side, produces a mixture of a decent yield plus the prospect of some capital growth. It would be wrong, however, to assume that growth is guaranteed as it is (with some limitations) on a with-profits bond. It is possible for the unit price to fall and for the investor to lose money.

There is a 5 per cent bid-offer spread on the units to reflect the manager's annual charge; there is also an initial charge of 1 per cent. The minimum investment is £5,000; those who invest more than £10,000 will get a 1 per cent bonus, which rises to 1.5 per cent for investments of over £25,000 and 2 per cent for those of £50,000 and over.

■ Provident Life has launched a Guaranteed Escalator bond which offers 125 per cent of the FT-SE 100 index's rise each year, with annual lock-in of gains. The bond is designed for the personal pension market and has a minimum investment of £10,000. A self-invested personal pension can be linked to the bond.

Philip Coggan

Offer was too good to miss

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

THE CHANCE to replace some 5,000 BT2 shares with around 16,000 BT3 shares (after scaling down) looked too good to miss. I duly succumbed to the temptation. Can you advise me of the CGT position with regard to the switch part of the operation?

2. Two thousand shares of the above allocation were purchased via the Pep tender. On transferring these into Peps, I noticed that the transfer price is calculated at 160p a share. Who benefits from the difference between this and the present price, which is significantly higher?

■ You have a chargeable gain (or allowable loss) on the sale of your existing holding of 5,000 shares. (The BT3 purchase does not affect that calculation.) You are deemed to have paid for your new holding of 14,000 shares in full; if you sell them before you have, in fact, paid for them in full, you will be deemed to have sold them for the actual sale price plus the unpaid calls. (This does not apply to the 2,000 shares held in your Pep). Ask your tax office for the free pamphlet CGT-13 (The indexation allowance for quoted shares).

2. The difference in prices benefits you (provided that the price does not effectively fall by the time you eventually sell the shares, of course). Ask your tax office for the free pamphlet IR-89 (Personal equity plans).

Executors can benefit, too

CAN SOMEONE who benefits from a will also be an executor of it?

■ Yes. In simple cases, where you might wish to leave all your assets to one person, this should not cause a problem. But you should be aware that if you wish to leave your estate to a number of beneficiaries, one of whom is the executor, then you must clearly have faith that this person will carry out your wishes correctly in all respects. You might also wish to consider if you would like a professional person as an executor to assist in these matters.

This reply was provided by Barry Stillerman of accountant Stoy Hayward.

Shares gift to daughter

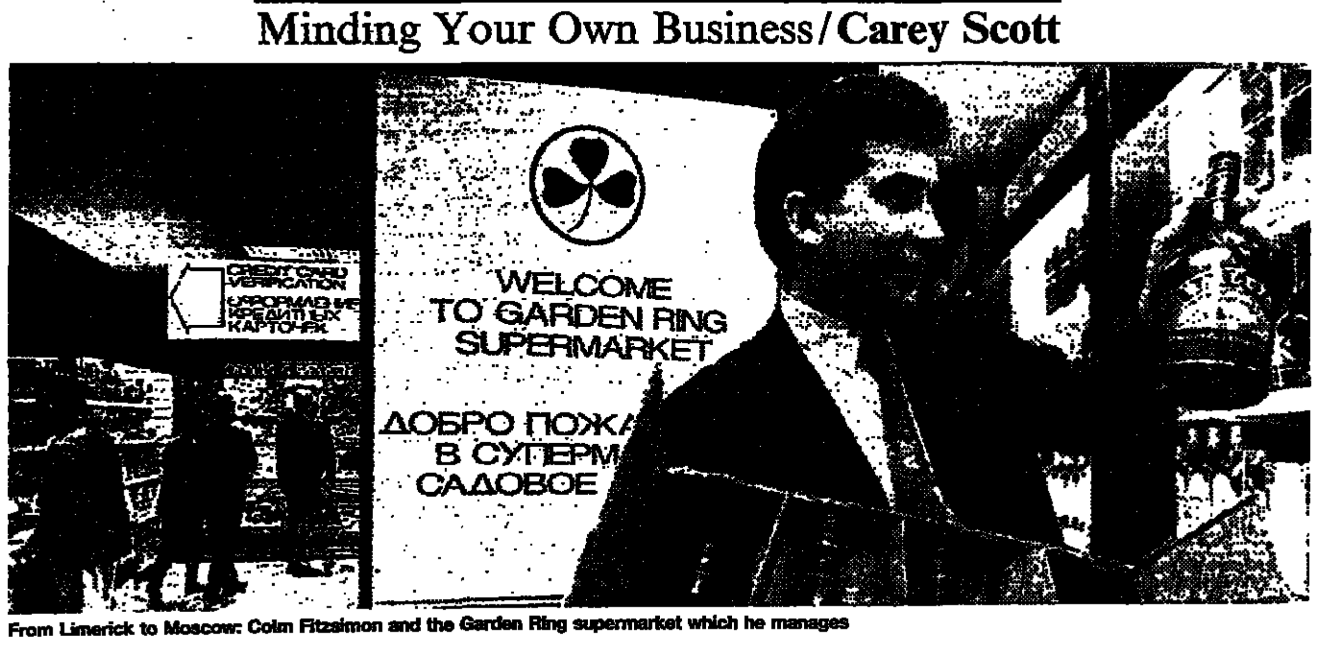
IN 1991 I transferred shares, then valued at £6,000, to my daughter as a gift. She sold them recently for £5,000. Will she be allowed to establish a loss of £1,000 (plus indexation)? Or would she be reckoned to have made a profit of £5,000 (less indexation) on the ground that the original holding cost her nothing?

In 1984, I bought shares in Premier Oil Consolidated for £3,143. In every subsequent year except 1992, I received bonus shares because the company wanted to conserve resources for exploration rather than pay dividends. Recently, I sold the original plus the bonus shares. For capital gains tax purposes, would the basis be just the £3,143 plus indexation?

■ When you gave the shares to your daughter in 1991, you were subject to CGT as though you had sold them in the open market at their market value. Consequently, your daughter will have an allowable loss as though she had bought them in the open market at that market value.

On Premier Oil, the cost remains at £3,143 plus indexation (subject to adjustment for the 1985 rights offer). Ask your tax office for the free pamphlets CGT-13 (The indexation allowance for quoted shares) and CGT-14 (Capital gains tax: an introduction).

Minding Your Own Business/Carey Scott



From Limerick to Moscow: Colm Fitzsimon and the Garden Ring supermarket which he manages

Leaders of the pack

"PEOPLE IN cash-and-carrys in England looked at me as if I had three heads when I said I was going to open a supermarket in Moscow," says Michael Coughlan. "They thought I was a complete lunatic." Eighteen months later, in spite of Russian hyperinflation and political turbulence, the business appears to be doing well.

ON A JANUARY 1992 trip to Moscow to investigate a warehouse deal for his Irish freight business, Coughlan was offered a prime site for a new supermarket. With his partner, Brendan Flannery, and Richard Pratt, owner of a Cork-based insurance firm, Coughlan formed an investment company, CFP, to put up the money to open an Irish food store in Moscow.

The Garden Ring supermarket – named after the Moscow ring road on which it is located – opened last August. Colm Fitzsimon, the manager, says sales are increasing at around 6 per cent a week – the kind of growth that an Irish-based supermarket would expect in a year. The store's success has been helped by its central location on the site of an old Soviet state food shop, an enormous advantage in a market where good real estate is scarce.

Coughlan and his partners may now be what Fitzsimon describes as "three very happy individuals," but the road has not been easy. It is almost impossible for a foreign business to set up alone in Moscow, since it can take a potential investor years to disentangle Russian red tape. Reliable Moscow contacts are invaluable. "You can't just get off the plane and start a business here," says Coughlan.

CFP's path was smoothed initially by the Irish-Russian joint-venture Irlasto/IVK, which provided the hard-to-get but essential licence. IVK, the Russian side of the venture, supplies the vital convertible-currency bank account which enables the supermarket to transfer money out of Russia, and is difficult for foreigners to obtain. For its services, Irlasto/IVK has taken a 15 per cent share in the enterprise.

Running the shop would be impossible without Russian input. The director of the old state food shop, Sergei Novikov, and four senior deputies will eventually own the store. They are an equal partner in the Garden Ring, responsible for Russian employees and supervising utilities and transport. CFP has refurbished the shop and provided all the supplies and top-level management. "A good Russian partner is essential," say Coughlan and Fitzsimon.

Financing the project, according to Coughlan, was the biggest obstacle. Equipping the supermarket cost $750,000. Stocks had to be brought in from abroad and 24 contractors were flown in from Cork to do up the store. Finding the money was hard. Coughlan says that banks in Ireland "simply wouldn't give anyone a loan for a business venture in the CIS."

Eventually, CFP had to secure every penny of every loan and put up a lot of cash itself. Coughlan says banks remain wary, in spite of the set of accounts CFP can show them. The lesson is that until Russia's economic and political climate stabilises, would-be investors in Moscow have to be self-funding.

Another hurdle was adjusting to the taste buds of Moscow's hard currency shoppers. Prices in the Garden Ring, as in all foreign-owned food shops in Moscow, are in US dollars, although customers can pay in Irish punts and other convertible currencies, as well as Russian rubles, albeit at a high exchange rate. As a result, shoppers are foreigners – business people, diplomats, journalists – and rich Russians.

The disparate nationalities eat differently from the residents of Limerick, as Fitzsimon, who has six years' supermarket experience in Ireland and three years' business experience in Russia, found out after a slow start. Irish cheeses did not sell well, and CFP expanded the range to include more Dutch and French cheeses. The Garden Ring reduced its percentage of Irish supplies from 90 per cent to 70 per cent in the first eight months and ships in produce from elsewhere in Europe.

Russians make up 60 per cent of the clientele, and Fitzsimon says they are keen on fish products and exotic fruit, regardless of price. The small pineapples he sells for $14.95 are snapped up by Muscovites. Americans are the largest group of expatriate customers. They flock to the Garden Ring for cheesecakes and granola.

Irish entrepreneurs operate several businesses in Moscow. "It has something to do with Irish business acumen," says Coughlan. "The Irish are bigger risk-takers."

Fitzsimon has eight Irish staffers working with him, including an assistant manager, an accountant and a butcher. Not everyone likes it. The first butcher went back to his village in County Cork as soon as he could get a flight home.

With the help of two translators, the Irish and the 35 Russian staff have adjusted to working in an environment which is foreign to both. The Russian workers have had to learn to smile when they are tired, and to open a new till when customers are waiting. The Irish have had to get used to seeing the eight Russian accountants work out sums on abacuses.

Coughlan, as the managing director of CFP, spends one week per month in Moscow, and Flannery and Pratt travel to Russia every three months. Fitzsimon is in daily contact with the Cork office, and Coughlan takes decisions that need to be made on the spot. "It's the great advantage of having a small company," he says. "I can react quickly and make a decision, and it pays off. A lot of our competition in Moscow is semi-state owned, and decisions have to go back to a boardroom."

Running a business in Moscow is never simple. The Garden Ring is at the mercy of foreign suppliers. If the fruit and veg lorry does not leave the Netherlands on schedule, the shelves can be bare all weekend.

In spite of the pitfalls, and the high risks that Coughlan, Flannery and Pratt have taken, Coughlan remains confident. "When the uncertainties are over and the big guns start moving in," he says, "we'll be well ahead of the posse."

*Despondent about your A-level grades? Education correspondent **John Authers** has some advice for aspiring college entrants*

University still beckons for the energetic

FINDING A university place during the next few weeks could be even more stressful than taking A-levels.

Improved A-level results, plus an unexpected cut in government funds to universities, have conspired to cut places available via the "clearing" system to applicants who had no conditional offers, or who narrowly missed their grades.

The Polytechnic Central Admission System reported yesterday that 23 universities and colleges have withdrawn their arts and humanities courses from the clearing system because they were already full. The Universities Central Council on Admissions, the other body which oversees clearing, also predicts that places may be tighter this year.

But this does not mean that you should panic if your A-level grades did not quite reach the hoped-for level. Clearing will be much harder than usual this year, but university places are there for those who are prepared to be flexible.

This is particularly true in practical and scientific courses, which have the same level of government funding as last year. For example, Surrey University, which specialises in scientific and applied courses, does not anticipate allocating any fewer places via the clearing system this year than it did last.

Many new combined and vocational courses have been introduced by universities during the last few years, as higher education has expanded. These could be of interest to those prepared to be flexible.

So what do you? The clearing process will not start until Wednesday. In the interim, universities must confirm offers they have made.

This involves 200,000 university decisions in a very few working days. Applicants should have two offers – a firm offer and, another, usually for lower grades, as insurance. If the firm offer has been satisfied, then the university must offer the applicant a place. Similarly, if the firm offer has been missed, but the insurance offer has been fulfilled, the second-choice university must offer a place to the applicant. This works both ways. Applicants are not free to "shop around" for an alternative *place until they know that they* have *not* been awarded places by their two first-choice universities.

Those who had no conditional offers are free to telephone universities with vacancies as soon as their results are published.

UCCA warns: "Admissions offices must confirm the places of all the candidates holding conditional offers who have met those conditions. Until this is done, there may be very little admissions offices can tell candidates who telephone in."

Applicants eligible for clearing, once it starts, will receive a clearing entry form and leaflets from UCCA. They are advised to make direct contact with a small number of universities – many of which have special "hotlines" for the purpose – to check whether there are vacancies.

BBC Student Choice '93 will provide advice on Radio 5 about vacancies and universities will advertise in national newspapers. Information should be readily available in schools, colleges and career services. In all cases, universities should advertise the minimum number of A-level points they will require. Check possible vacancies daily.

If lucky, you should be able to persuade the university to submit a Q request for your papers from UCCA. This shows that the university is serious, and it is via this process that 90 per cent of clearing places are offered. However, the process is time-consuming, so do not ask more than one university to make a Q request.

Fill in the clearing entry form, listing up to four choices of university and course, in *order of preference (with any university* which has made a Q request put in first place). Computers do the rest – each choice on the form will be matched to see if the university has vacancies, and whether your A-levels are good enough.

UCCA also has a clearing panel for giving individual attention to applicants who slip through the net.

The entire process can last until September 25. Nobody pretends that the next month will be enjoyable for those looking for places – but places are there for those with the energy and flexibility to look.

■ **Useful telephone numbers: UCCA, 0242-222444; PCAS, 0242-227788;BBC Radio 5 off-air advice line, 0500-585050; University of Hertfordshire Hotline, 0707-284848; Plymouth University Action-line, 0752-232010; South Bank University Hotline, 071-815-8158;University of Surrey Hotline, 0483-300800.**

Performing for the future

IN A school hall cluttered with the kind of detritus you would normally hope to dispose of in a jumble sale, Helen Adams and Natalia Campbell are busy rehearsing Sue Townsend's *Bazaar & Rummage*, for the 1993 Edinburgh Festival fringe.

It is the student equivalent of coals to Newcastle. Both are taking a BTEC course in the performing arts at Barking College. The fact that they are prepared to spend their summer vacation rehearsing and performing is a measure of their enthusiasm.

Neither embarked on the course with precise ideas about her future. Helen intended to study theology at university. Half way through A levels, she was invited by her school's enterprising drama company, Short Back & Sides, to help out with stage management for their 1992 'fringe' production. "I went up there, and I just loved it," she recalls.

"I don't think I've ever made such a big decision," she says. Her parents were supportive, but cautious. "They thought I'd just get it out of my system and then go back and finish my A levels. But since I've been doing the course, they've really had their eyes opened. They've seen how much I've changed."

Natalia had had early ambitions to study drama. After leaving school she spent some time at the Lee Strasbourg Studio in London. "At the time I was only 17. It was a bit strong for me, I think. I couldn't handle it." But after a couple of years at work, she felt it was time for a rethink. "I started looking for colleges in the area, and I was advised

Natalia Campbell and Helen Adams (second and third from left) rehearse with the Short Back & Sides Theatre Company for their production of Bazaar & Rummage

to do a BTEC (a nationally recognised diploma) because it's a much more practical approach. You get involved, rather than just sitting in a classroom."

Barking's two-year full time course is concerned with the development of practical creative skills in drama, dance, music and stagecraft. Most of the work is carried out in groups. Performance and production, a study of the arts in society, and arts administration form the core subjects. Students have the opportunity to specialise in particular areas, but the compulsory units mean that everyone gains experience of all aspects of the performing arts.

Helen and Natalia were thrown in at the deep end. Their first assignment was to research and produce a *30-40* minute production.

The course is almost entirely practical. The lack of written work may be a relief from the more academic regime of A levels, but in some ways it is even more demanding. "Everything you do is assessed," explains Natalia, implying that you cannot get away with three weeks' cramming before a final exam.

Students also have to produce a working diary, which forms a personal record between pupil and tutor. It is both a form of self-assessment, and a means of developing critical faculties and an understanding of group dynamics. There are individual tutorials at the end of each project, to focus on any problems which may have arisen.

But this is not an encounter group or a course in navel-contemplation – quite the opposite. Natalia notes the way in which the course has developed maturity and communication skills among the students. "Some people came straight out of school. With seven or eight of us thrown together doing a project, you always get people who clash. But you work it out," she says. "So many people have changed in the process of working from September to now. It's unbelievable."

Helen endorses this view: "It teaches you how to communicate in real life, how to react to different things, and how to accept people, for what they are *and what they believe in. A lot of us* have different beliefs. We've all come up against it, and we've all found a way of getting on."

One year into the course, how do the two students see their future? "Since I've been at the college, I've done so many things outside as well. It's opened doors," says Helen. "I'm ready for anything, from singing on a Caribbean liner to skivvying in a theatre in London."

Not everyone will enter the arts professionally. But there is more to be gained here than vocational training. Helen and Natalia thought they'd be learning about the theatre, and find they're learning about life. The course breeds confidence.

"I reckon most people at the college will get a place somewhere," says Helen. "Everyone's got the enthusiasm to do anything. That's the basis, isn't it?"

Marilyn Bentley

The 'right' choice

IT IS the question I always dreaded: "What do you want to be when you grow up?"

It is easy to answer if you have a deep-seated desire to become a doctor, a teacher or a vet. But the choice is harder for the majority of young people who have no particular vocation. Interest may point them in a general direction, but, without practical insight into working life, how can they tell whether they have the ability or the staying power for a particular career?

In British education, academic and vocational studies are still seen as distinct from one another; the former *leading, via the "gold standard" of* A levels, to university, and the latter perceived as carrying a lower status. Schools tend to encourage any students with passable academic abilities to choose university.

Pupils often go with the flow, only to find their academic degree courses stressful and dispiriting. Others emerge at the end of three years as unemployed graduates, still facing the problem of a career choice.

It is difficult for the uncommitted 18-year-old to make an informed decision, although many schools are dealing with this problem more proficiently than in the past. The careers advice programme at the Lady Eleanor Holles School in Hampton, Middlesex, is built into Personal and Social Education (PSE), and designed to *inform and focus pupils' minds* on career possibilities. But the weight of advice still falls heavily in favour of formal academic training, acknowledges Jenny Barnes, head of the careers department.

Sometimes, a more *practically oriented, "hands-on"* course is a better alternative for those uninspired by the idea of university, or who wish to take time out before committing themselves to three years of further academic study. It can make the transition from classroom to career less of a leap in the dark.

BTEC National Diploma courses, for example, offer practical training and the opportunity to test one's interest and aptitude for various disciplines which make up areas such as *design*, the media, or the leisure industry. After two years closeted with the text of *Macbeth*, it may be time to find out how one translates a play from page to stage. An A level in economics could be the theoretical content for some practical insight into *running a business. Other* ideas may emerge from leisure interests such as gardening, photography or travel.

The choice is wide. At 18, *one can afford to experiment.*

■ Public and private institutions advertise widely at this time of year, in the media, libraries and specialist publications. Local further education colleges are a useful starting point for surveying the field.

■ Read the prospectuses carefully and try to get a feel for the kind of courses offered in a chosen area. Entry requirements, course components, means of assessment and final qualifications will vary, and there may be elements which are of particular interest, such as work placements.

■ When you find something that satisfies your criteria, ask if you can visit the college before making a formal application.

■ Talk to people following the course, or those who have completed it. Colleges should be happy to suggest contacts.

■ Try to assess the course's standing. Some lead to nationally recognised qualifications, but the reputation of private diplomas varies. You should ask for proof of quality.

■ Know where you stand in relation to funding. Grant support varies. If you intend to take up a university place later on, make sure you do not preclude yourself from assistance by using up your entitlement.

M B

COURSES AND CAREERS

هكذا من الأصل

Despatches/**Frank Gray** in Havana

The ghost town of Graham Greene

IT IS still just a seven-minute walk from the Phastcleaners shop on Lamparilla Street, Havana, to the Wonder Bar at the corner of Virtudes and Consulado – the same time it took Jim Wormold to escape from his vacuum-cleaner agency for a mid-day daiquiri with his old friend, Dr Hasselbacher.

Wormold, anti-hero of Graham Greene's *Our Man In Havana*, was impaired by a limp and, given the traffic that must have prevailed in late 1950s Havana, seven minutes must have been a close-run thing. Today there is little traffic to slow the curious visitor, but it is still a brisk walk, made all the more difficult because of the distraction of finding traces of Wormold's Havana 35 years after publication of Greene's novel.

Such landmarks are not easy to find, given the Cuban capital's neglected state and the preponderance of tin sheets covering the windows and entrance-ways to the city's once-infamous nightspots.

But there are some pleasant surprises, for a few beacons have survived to make the curious visitor, armed with a street map, ballpoint pen and Greene's Penguin paperback, feel he is getting somewhere. Greene's Havana centred on the shopping and banking thoroughfares of the old district, with a few amusing diversions into uptown Vedado, location of then-swank hotels, and into the classy neighbourhoods of Miramar.

Our Man In Havana was oddly prophetic, hinting at great "enemy" military installations in the interior against the background of an unstable government, that of Castro's then-nemisis, Fulgencio Batista. That some of the installations looked like giant vacuum-cleaner fittings, including snap-action couplings, was the amusing twist to the story.

Trying to find any trace of Phastcleaners, or any shop selling conventional retail goods, is impossible today. Lamparilla Street, running east to the waterfront, is parallelled by Obrapia, Obispo and O'Reilly, a hive of activity in Wormold's day, but now a neighbourhood through which people walk but do not stop because there is little to stop for.

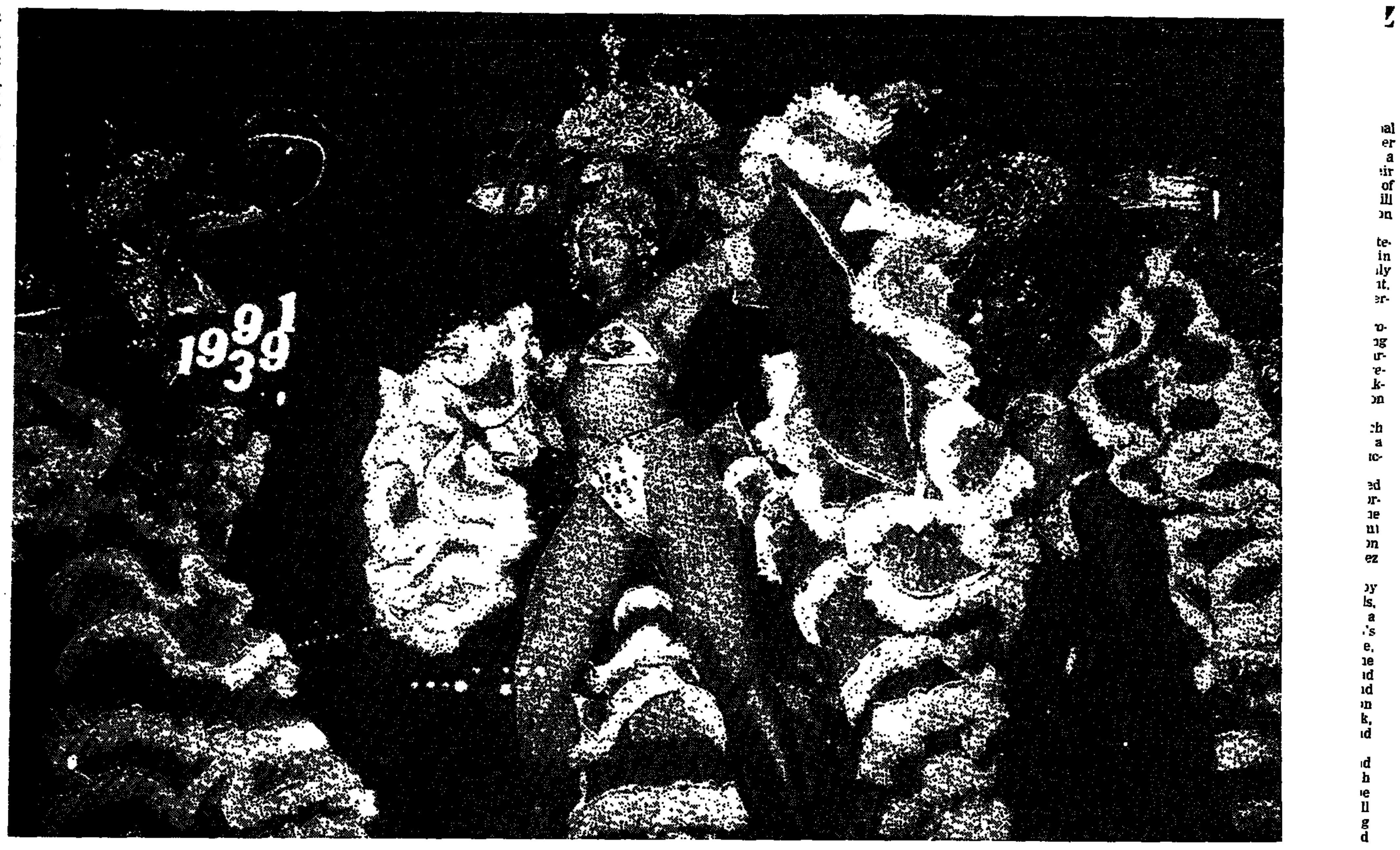
The Western Union cable office is still on Obispo, whence Wormold sent his fraudulent cables to MI-6 in London. And the bells still toll at the Church of Santo Cristo, off Lamparilla, where Wormold's expensive daughter Milly said her prayers.

Ask for any Greene, Hemingway or – for that matter – Dickens or Cervantes and you will be greeted by melancholy headshaking

Within a baseball throw of the famous Floridita bar, near the top of Obispo on the Avenida de Belgica, stand two bookshops, one dispensing socialist tracts, the other an array of old classics and leftovers.

Ask for any Greene, Hemingway or – for that matter – Dickens or Cervantes and you will be greeted by melancholy headshaking. "Much in demand, *si*, but no, not for long time. You come from Spain? England? Next time bring books. Paper shortage." The conversation echoes one heard on a previous visit in 1985.

One of Wormold's haunts on that daily trek for the mid-day daiquiri was the famous Sloppy Joes, better known as Loppy Youse in Cuban lingo. It was there that Wormold was recruited by Hawthorne, MI-6's inept Caribbean control. It was founded in the 1930s by two Spanish brothers, one named Jose, who became renowned for his unwashed off-white shirts.



The Tropicana nightclub, where ever-changing troupes of barely post-adolescent dancers have dazzled revellers since 1939

Alexis Duclos

A rival Sloppy Joes was set up in Key West, Florida, 90 miles the other side of the Gulf Stream, a few years later. The original, alas, folded in the late 1960s due to the post-revolution collapse of tourism and is now sealed up. One can only draw on the memory of the meeting in Sloppy Joes in the Alec Guinness-Noel Coward film in which Coward (Hawthorne) recruits Guinness (Wormold) into the world of spying.

Nearby, on a side street linking the tree-lined Paseo de Marti with Zulueta Street, stands the shell of the Seville Biltmore Hotel, Hawthorne's Havana haunt, now being slowly rebuilt.

From nearby Virtudes Street, a visitor can see the towering wedge of the Havana Libre Hotel – in Greene's day the Hilton – now in need of paint and new plumbing but still drawing crowds, especially highly solicitous women seeking convertible currency.

Just below it, in the Vedado district and overlooking the sea, stands the Hotel Nacional de Cuba, a twin-towered, immaculately restored relic of the 1930s. Its nearly pristine state is a welcome surprise of which Greene himself might have approved – only a few years ago it was a crumbling relic.

In Jim Wormold's day, the Nacional was the home of the European Traders Association, which met there regularly for lunch. It was inside the Nacional that Wormold, tipped off by Hasselbacher in the foyer, warded off a clumsy assassination attempt in the form of poisoned whisky.

Where the money came from to restore the 483-room Nacional, no one will say. It is rumoured that Cuban expatriate money from Florida has been pumped in.

Greene returned to Cuba in 1963 and was disappointed to find that some of the seedier haunts on Zanja Street, an east-west throughfare linking old Havana with Vedado, had been boarded up, particularly the Shanghai Theatre. "There, for $1.25, you could have seen a nude show and three blue films a night, and there was a pornographic bookshop in the foyer for those yet unsatisfied", he wrote at the time. These days, no one has even heard of the Shanghai.

But one aspect of pre-Castro life has not changed – the famous floor show at the Tropicana, the open-air, jungle-motif night-club on the edge of the leafy Miramar district. It was at the Tropicana, amid the dazzle of dancing girls, that Wormold helped his daughter celebrate her birthday, at the same time protecting her from the unsubtle groping of the evil Captain Segura of the Havana police department with the help of his MI-6 cypher clerk, Beatrice Severn.

All is as it was except for the gaming tables which were, in any event, out of sight from the main floor-show area. The round bar is still there, as is the original stage, set in a grotto. The floor show is probably the best anywhere in the western hemisphere, and regularly features some 65 barely post-adolescent dancers, clad in jewelled nether garments, and an Afro-Cuban band of 25 musicians. The pulsing performance (prices range from $40-$55 per head, and all seats are good) lasts 2½ hours and only stops short of a human sacrifice. There are many Fay Wrays onstage; all that is missing is King Kong. It is the Tropicana's proud boast that it has been operating continuously since 1939.

After the Tropicana I returned to town, to the corner of Virtudes and Consulado. An old woman sitting in a chair, knitting, remembered the Wonder Bar, or, rather, two bars answering the description, identical and on opposite corners, both sealed up. They were *muy popular* among the shopkeepers, she recalled.

It was at the Wonder Bar that *Our Man In Havana* turned deadly serious, for it was there that Hasselbacher was killed by unknown foreign assailants. But one should not get too serious. Greene's novel, like modern-day Havana, is a work of fiction.

Despatches/**Patti Waldmeir** in Johannesburg

Apartheid and the arts

WHEN the all-white dancers of South Africa's Transvaal state ballet performed in the black township of Tsakane, they were careful to ensure that a chain-link fence separated them from the black audience.

It was not violence they feared. Tsakane is a peaceful place. But the bored ballerinas and their haughty artistic director, Dawn Weller Raistrick, seemed to want to make a point: that the troupe was there only under protest. Fearing that a black government would cut off state funding for traditionally "white" art forms such as ballet and opera, the ballerinas were making a belated attempt to popularise their craft. But they were not going to do it cheerfully.

As the struggle for power intensifies in South African politics, so it does in the world of culture. Those who favour "Eurocentric" art forms fear a cultural bloodbath under a black government. As art critic Barry Ronge wrote in the Johannesburg *Sunday Times* recently, whites are tortured by "visions of ballet being kicked into oblivion by the gumboots of traditional dancers and of orchestras ... fading into dissonance before the throb of the ... cowhide drum."

These fears are probably misplaced, for when the African National Congress convened a national cultural conference recently, its officials were at pains to convey a reassuring message to frightened whites: ballet, opera and symphony will continue to have a treasured place in the new South Africa, but they will have to get by with less state money.

"For state money *not* to be put into opera would be like attacking the Voortrekker monument," said one delegate to the conference, referring to the granite pile outside Pretoria regarded by Afrikaners as their most sacred monument. ANC officials know that there is no quicker way to accelerate the white "brain drain" than to attack yuppie pursuits such as opera and ballet: they know that a message of cultural reconciliation will help whites (especially Afrikaners) accept political change.

ANC officials know that there is no quicker way to accelerate the white 'brain drain' than to attack yuppie pursuits such as opera and ballet

"As much as possible, we must preserve ballet, we must preserve opera, we must preserve symphony, we must preserve what European South Africans have contributed to this country," says Wally Serote, head of the ANC's department of arts and culture. "But we cannot preserve that at the expense of other things."

That is the problem in a nutshell. For in the old South Africa, culture was as strictly segregated as housing or education. Abolishing cultural apartheid will be as costly as upgrading black schools or hospitals.

Until recently, the four provincial "performing arts councils," which have their own standing ballet and opera companies and their own symphony orchestras, funded "white" arts exclusively. They built no arts venues in black townships (white Johannesburg recently spent R132m [£26.2m] to refurbish its civic theatre, though neighbouring Soweto, a city of 3m, has no theatre or concert hall). They spent almost nothing on black theatre, dance or music.

For over 40 years, the ruling National Party used the state-funded arts to promote Afrikaner ethnicity, with the political goal of strengthening the *volk* against the black hordes. Indeed, a 1972 government commission of enquiry into arts funding treated only Afrikaans art under its chapter on "indigenous art forms in South Africa" – as though black African art did not exist. And though the arts councils are trying to redress this balance, their efforts have gone little beyond tokenism.

If the National Party abused culture as a tool of oppression, the ANC used it as a political weapon in the struggle against apartheid. When other forms of dissent were crushed, black actors and playwrights protested alone, and the ANC-inspired international cultural boycott brought pressure for change.

The task now is to depoliticise the arts, to prevent the ANC from using the state-funded arts, as the Afrikaners did before them, to promote their ethnic interests. ANC officials are adamant that this is not their intention, but some artists are sceptical. And Wally Serote's proposal for arts funding – that the government should fund an autonomous national arts council which would disperse funds to mostly private production companies – sounds fine until he adds that the council would have to follow government-set spending priorities to redress imbalances caused by apartheid.

Still, these imbalances must be redressed, not least because the ANC's dream of building a new South African nationhood depends upon it. Cultural apartheid exacerbated ethnic divisions; the ANC's aim is to create a "non-racial" state where culture unites rather than divides.

That is laudable. But given the reality of ethnic antagonism in South Africa, it is a long-term goal. Mixed audiences are rare. The bulk of arts performances are Eurocentric, the bulk of audiences white. The arts council directors say that output is, at least in part, market-driven: white patrons buy the tickets, and for the moment, they want to hear their own stories, watch their own dance forms and listen to their own cultural sounds.

The ANC says its stress is always on uplifting African arts, not suppressing European ones. "The basics of opera – voice and story-telling – are really African forms of art," says Mike van Graan, secretary of the National Arts Initiative, an anti-apartheid cultural group. He is confident that, eventually, South Africans will learn to appreciate each other's art forms, and forge new forms of their own. That, after all, is what the new South Africa is all about.

TRAVEL

Naxos: an island waiting to burst

Nicholas Woodsworth took a spring sojourn on a Greek island and found its out-of-season promise preferable to summer's sybaritic fulfilment

IT WAS too early in the year for crowds. Later, in July and August, the boat decks and lounges, gangways and cabins of the *Apollo Express* would be crawling with island-hoppers. But for the moment - 8.30 on a blowy spring morning - the beautiful people of the Aegean summer were relegated to kitchen dishwashers, commuter buses and lecture halls a world away from the port of Piraeus.

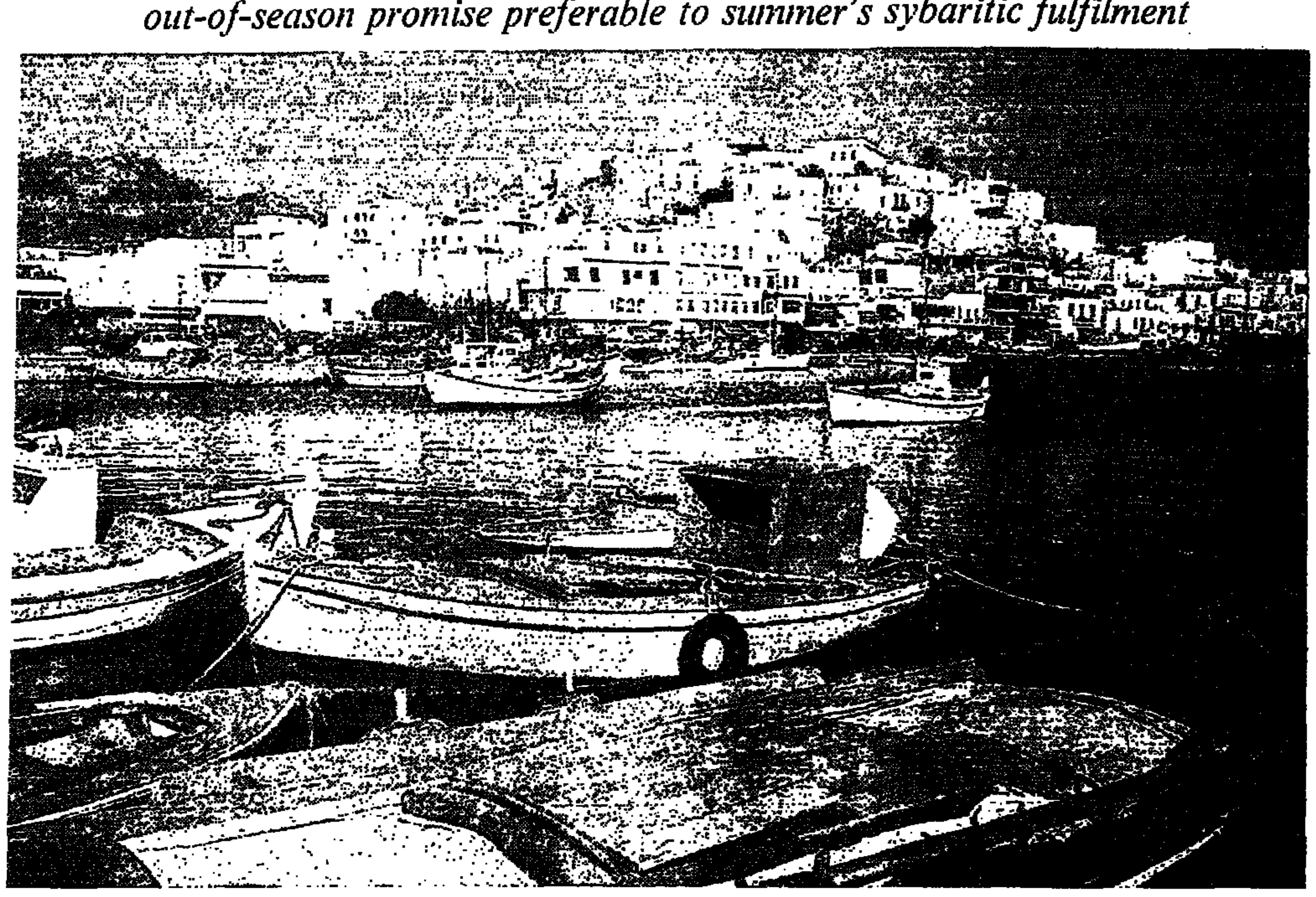
I was virtually alone on the ferry's upper boat deck. The only other passenger braving the cold wind as the *Apollo* slipped its moorings and headed south was a bearded young backpacker holding a paperback. It was Carlos Castenada's *A Yaqui Way of Knowledge*. I was astonished. It was the same book that bearded young backpackers were reading on boat trips out to the Greek islands more than 20 years ago.

Summer wanderers, package tourists, sun-seeking nudists, fun-seeking jet setters, holidaying students - all are hardy perennials that survive from year to year. But what, I wondered, was left of the islands that have been their playground for decades? The last time I had visited Ios, once my favourite island in the Cyclades, I had given it up for lost. There were too many people, too many establishments with names like Homer's Discotheque.

Was the whole Mediterranean turning into a gigantic Costa? I hoped that on the island of Naxos, in spring, the answer would be No. From the quayside at Naxos the eye of the newly-arrived visitor is first drawn by a massive marble gateway - all that is left of a seaside temple of Apollo - at one end of the port. It moves onwards to the long sweep of white-washed buildings that run the length of waterfront, then rises upwards to the cube-shaped houses that climb, disorderly, to the top of the hill that makes up the old town.

My own eye, though, ran anxiously over the shopfronts, restaurants and businesses along the harbour-front - usually the maddest of places when holiday madness overcomes islands. There was no Homer's Discotheque. Any number of other establishments, though, firmly placed Naxos in the frenetic heart of the late 20th century.

A sign at the Veggera Bar invited me to sample one of its exotic cocktails - "Sex on the Beach", "Never on Sunday" or the "Indiana Jones Pina Colada Special." Next door I could rent a beach buggy or a screaming off-road dirt bike.



Robert Harding

The harbour and town of Naxos: two streets away from the waterfront the hubbub of commercialism abruptly dies

Further down the harbour was the Day and Night Club, Popi's Grill, the Smile Fast Food and a gathering of restaurants, boutiques, film processors, jewellery shops and other outlets designed for the satisfaction of modern hungers. As Anthony Quinn's Zorba described the numerous and inevitable imperfections of modern life, this was, in short, the complete catastrophe.

Or was it? For indulgence in sybaritic consumption the setting was perfect. Just one element was missing: the sybaritic consumer. The only idle people about were a few Greeks fiddling with worry beads and sipping tiny cups of coffee. The feeding-frenzy atmosphere of the resort in high season was absent.

Instead, quietly hanging over Naxos was an atmosphere of expectation and preparation. Café owners were busily splashing new coats of whitewash on to winter-weathered walls. Newsagents were replenishing wheeled sidewalk racks with fresh stocks of postcards: one rack for the breasts and bottoms of seaside cheesecake, another for the stark blue and white images of the unspoiled island idyll. In the window of the Zas travel agency, winter ferry timetables were coming down, summer ones going up.

Naxos was a town waiting to burst. The promise, I was sure, was preferable to its fulfilment. Here was a bright blue sky, a white-horse-capped sea, and sunshine that bounced blindingly from one white wall to another.

Here were most of summer's pleasures with none of its maddening and claustrophobic inconveniences. Not even the strong north wind that blew constantly for the next few days put me off. If the simple and sensual Greek island world exists, it exists out of season.

There is a wonderful thing about Mediterranean island tourism - it is almost wholly oriented towards the Mediterranean. Most escapees from the cold, misty cities of the north are mad about warm water and sun-drenched beaches. While they are willing to undergo almost any kind of overcrowding just to lie there and baste, summer insanity wanes proportionally with distance from the water.

Out of season this is true even in the town of Naxos itself. Move just two streets back from the waterfront and the hubbub of modern commercialism abruptly dies. In a steep, stone-flagged maze of narrow streets I meandered through a town that was sunny, deserted and silent.

Naxos is a town of great age. Over the millennia the island has seen the coming and going of Mycenean, Persian, Ptolomaic, Roman, Byzantine, Venetian and Turkish rule. I walked up worn marbled stairways banked with bright red geraniums; through arched stone passageways into hidden, cobbled squares; past tiny blue-domed churches where sweet incense wafted from the door; on to whitewashed terraces where cats sat sunning themselves high over the sea. The postcards do not lie: the Aegean is both the cheesecake found everywhere and a simple beauty found nowhere else.

If Naxos' main town boasted only a sprinkling of pre-season visitors, the rest of it seemed left entirely to its 16,000 island inhabitants. Some 70kms long and topped by the 1,000m-high Mount Za, Naxos is the largest island in the Cyclades. With more than 40 villages there is room not only for frantic seaside tourism but a slower, older pace of Greek life as well.

Coast, inland plateau or fertile valley? Bouncing around in a beaten-up hired Jeep I tried to decide which sounded more appealing. In the end, I tried and liked them all. I drove south to the sea at Agia Ana, past sloping fields dotted with windmills and cactus and ablaze with a spring carpet of wind-whipped daisies and poppies. The beach tavernas and pensions were boarded-up, their terraces thick with sand.

I walked, the only soul on a stretch of golden beach 5km long. I climbed the lonely headland of Mikri Vigla. Almost blown over at the summit, I gazed across an Aegean wild and frothy with whitecaps.

To the east, I drove upwards into the wide, tawny-green bowl of the Tragea, the most fertile farming land in the Cyclades. Surrounded by dry, flinty hills, there are dark green citrus groves here, orchards of gnarled olive trees, and on every promontory and hill a gleaming white church.

My favourite place, though, was the valley of Potamia. If, as myth has it, Dionysus settled down to a life of bucolic charm with Ariadne on Naxos, it might have been here in this fold in the rocky slopes below Mount Zas. Water has turned the valley into an oasis; as it flows down through shady, stone-lined channels from one village to the next and out into terraced fields, it sustains the same life it has for ages.

Amid a profusion of flowering orchards and trees laden with lemons, I followed a clattering, fodder-laden donkey past the houses of Ano Potamia. In Kato Potamia an old woman who spoke not a word reached up and picked half-a-dozen oranges for me. In Meso Potamia I watched a procession led by a bearded monk in black robes parade gilt-covered images of St George through the village. It is a walk I would like to do again in the autumn, when the Day and Night Club is deserted, Popi's Grill is closed - and Naxos is quiet once more.

A new light on France

The people of Ailly-Sur-Noye, 16km south of the French town of Amiens, are presenting a history lesson with a difference, *writes Marian Edmunds*. On five weekends every year, the history of the region spanning 15 epochs is relived through a son et lumière, one of 54 such productions across France.

The action takes place on a meadow by a lake but spills over to an island and beyond to a windmill and the forest fringe. So atmospheric and entrancing are the music and the lights that a limited grasp of French is not an impairment.

In seven years, Ailly-Sur-Noye's slickly-produced spectacle has come to be regarded as one of France's best, second only to that of Le Puy-du-Fou in the Vendee region in eastern France.

Ten years ago the Ailly show was just a dream for Dominique Martens, a young bank clerk, who was not discouraged by those who said it was impossible to have a son et lumière without a cathedral or castle.

More than 650 local people participate, each making several costume changes during the night. Twenty horses also appear.

It is possible to attend the Ailly show as part of a weekend break from London, for the village is only 100 miles south of Calais. It is staged on Fridays and Saturdays from August 27.

Amiens Cathedral also runs sound and light performances, some in English. Nearer to Paris is the Meaux Seine-et-Marne spectacle - June, late August and early September - while also worth catching are the spectacles of Flagnac and Saint-Fargeau. Most shows utilise a castle or cathedral.

■ *Tickets for Ailly-Sur-Noye cost FFr70 for adults, FFr40 for children under 12 and FFr60 when part of a group 30 or more strong. They can be reserved at Terre de Picardie, 80250 Ailly-Sur-Noye, tel: (33) 22 41 06 90. Information on dates and locations of spectacles can be had from the Federation National Des Fetes et Spectacles Historique, Hôtel-de-Ville de Beauvais 60000, tel: (33) 44 79 40 09.*

Why things are stirring in Amman

*Jordan's capital is transforming, says **James Whittington***

"WHAT'S THERE to do in Amman?" is a question often heard among Jordanians (and expatriates) as they ponder how to while away their evenings in the kingdom's sleepy capital.

Whether they are cruising the streets of up-town Sheisani in their new Mercedes-Benz or smoking hubbly-bubbly from a discoloured water pipe in a down-town café, the discussions are nearly always the same.

Locals complain that Amman is a "village" compared with Beirut, Cairo, Damascus and Baghdad before the Gulf crisis. They moan that there is only one nightclub "where no one ever goes", a handful of bars (three, according to most right-on Jordanians), and a limited selection of restaurants.

Boredom, frustration and nostalgia for a different life or better place are common among residents of Amman. Yet things are changing. Over the past few years the city has been transformed irrevocably.

A construction boom has expanded the once-small dusty outpost east of the Jordan River to a sprawling urban complex which continues to eat up the surrounding desert. And the arrival of some 350,000 Palestinians has diversified Amman's already multifarious society.

Thousands of Iraqis have also sought refuge in Amman away from Saddam's iron fist and Iraq's ravaged economy. And, as residents are constantly reminded in Amman, Jordan now has *democracy*.

To a tourist whose Jordanian itinerary will invariably include the Nabataean city of Petra, the Dead Sea, the desert at Wadi Rum and perhaps a few nights in Amman, changes to the capital's life have to be taken on trust.

Even to Jordan's social moaners, the variety of what is available has to be pointed out. Culturally, Amman is breaking new ground in art and theatre.

Most notable are the Iraqi and Syrian artists whose exhibitions are advertised regularly in the newspapers.

There is an increasing number of new galleries where prices are cheap. And an interest in contemporary regional art is slowly becoming fashionable among Amman's middle class.

More dramatic is the effect of political change, which is causing a revolution in the kingdom's theatre. One group of local thespians, "Ahlan Nabil and Hisham", has taken the process of political pluralism and freedom of speech to the stage with a nightly comedy that caricatures ministers, parliamentarians and even, cautiously, members of the royal household.

Although still reeling from the shock of political satire, many Jordanians express hope that the democratisation process will release other forms of entertainment from the strait-jacket of the past.

The poorly-attended local cinemas, for instance, still suffer from over-enthusiastic censors who strip the latest Hollywood blockbusters of nearly all scenes of tenderness, love, passion and lust.

Those determined to find out what has been cut simply go to the nearest video shop and rent an uncensored version.

Increased liberalisation, however, is far from guaranteed by the democratisation process. The Moslem Brotherhood has already attempted to push through a parliamentary bill to ban the sale of alcohol in the kingdom.

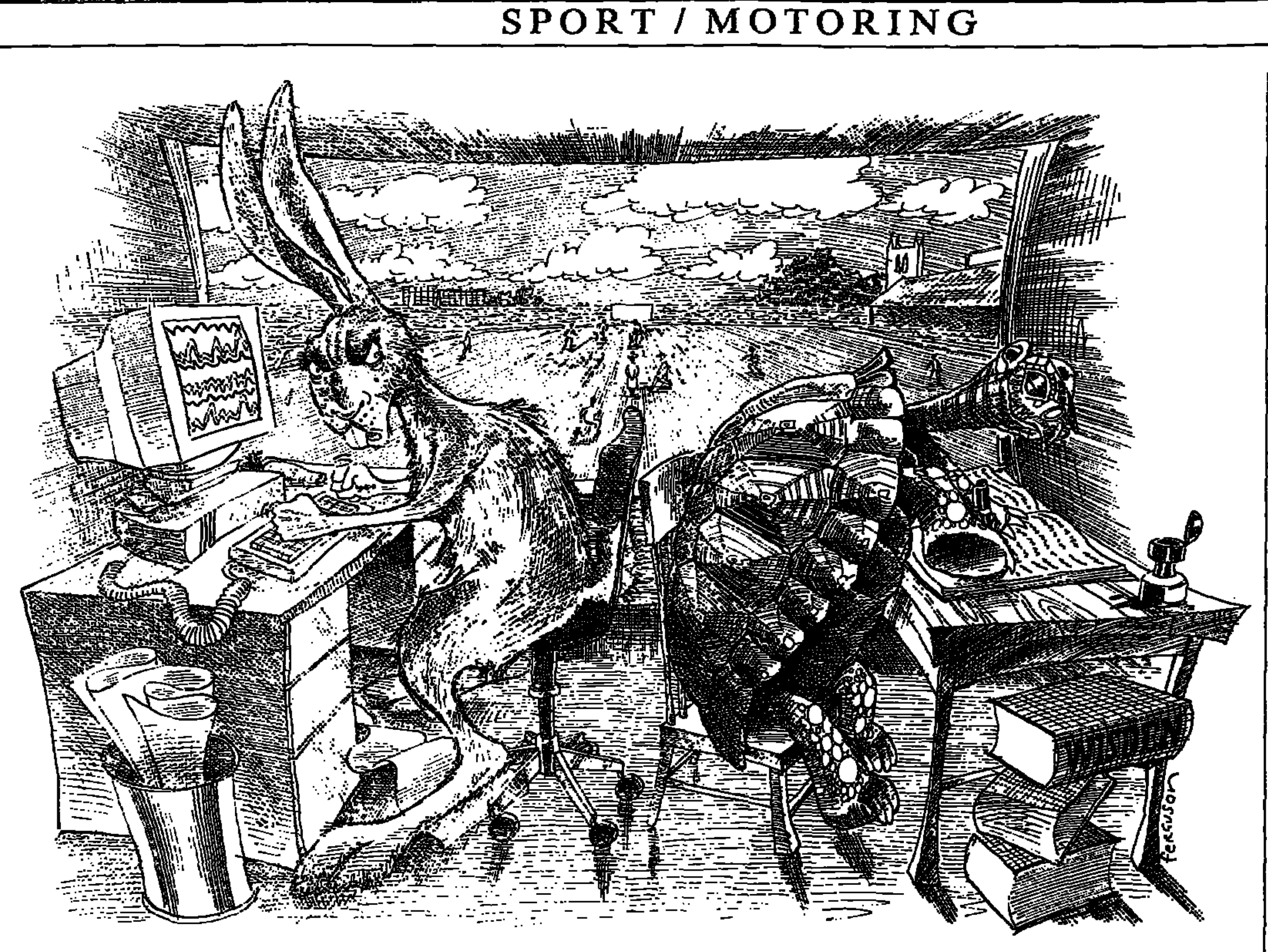
Further, the brotherhood was almost successful in passing a law to segregate men and women in public swimming pools and gymnasiums.

In concert with Amman's cultural and political changes, the city itself is undergoing an extensive facelift. A construction boom has added some 20,000 new buildings, including villas, mansions and palaces being built by returnees from the Gulf.

A recent survey showed Amman to be the most expensive capital in the Arab world. Although there is a lack of cement to sustain the construction boom, Amman can no longer be described as a backwater.

It is still not Cairo, Damascus or Baghdad. But give it another five years and even the socialites may not want to leave.

SPORT / MOTORING



Cricket/Teresa McLean

Troubling the scorers

THIS YEAR our most traditional sport is trying out some modern machinery. The Test and County Cricket Board hopes that this will make management of the game easier and perhaps help to earn, or at least save, money. The least I could do was try to understand. As an admirer of those treasure-houses of information known as scorebooks, I headed for the new computerised scoring system which has replaced scorebooks in first-class cricket this season.

I can see the logic behind using a third umpire, with access to television re-plays, to help with difficult run-out decisions. I think it has drawbacks and dangers, but there is a logic. The motive for computerised scoring is less obvious, except the unworthy one of centralising scores, which are fed directly and instantly into a score-bank throughout play.

This central bank, not the county ground, is now the axis of county cricket scoring. Depressed by this thought, I asked various cricket officials about the change, but the reasons they gave me seemed curiously unreal, part of a mythological culture of progress.

At Chelmsford last weekend, where Essex were battling the Australians, a friendly gentleman from the secretary's office was more than happy that I should go and look at their new scoring machine because, he said: "It's progress, isn't it? We have to keep up with the times, don't we?"

"Why?"

"Everyone does."

"Why?"

Apparently the answer in this case is statistics, which is a worthwhile cause in cricket. Because cricket is what John Nyren described 160 years ago as "an elegant and scientific game", its statistics are both entertaining and important. They are more than mere facts. They elucidate the game.

The Association of Cricket Statisticians is a collection of individuals who delight in this. They study cricketing statistics of every kind – historical, contemporary, personal, national, aesthetic. The association is devoted to accuracy and was one of the first bodies to voice doubts about the value of computerised scoring, in February, soon after the scheme was announced.

Naturally enough, the TCCB had no such doubts. It joined forces with a news agency and a computer company to install the scoring computers and feed a mass of statistics into the mainframe in Yorkshire. From here statistical information is instantly available to the media. The TCCB, keen to keep cricket up to date, thinks this marks the end of slow and inaccurate match scores in evening papers. I was glad to see the statisticians' association a as sceptical as I am about this. It has found very few mistakes, almost all insignificant, in years of intensive reading of papers' cricket pages.

The news agency, the Press Association, is keen to get the latest match news without having to telephone reporters at grounds. It simply taps into the mainframe. I am doubtful about that too. Scores alone are not enough for readers, who would always prefer a write-up, if only a small one, to the latest score in solitary splendour.

The computer company is the third party paying for the innovation. Among the star statistics dominating the computer system are each bowler's and batsman's averages, adjusted ball by ball, together with how many balls the batsman has faced, in how many minutes – the list is huge. So huge, in fact, that it was too much for the computers, which broke down under the pressure. It takes more than standard software to soak up the glories of cricket.

The computer company has found its first season in the game a long, hard struggle and company politics have inclined towards the Attila the Hun mode. But with a new chairman and two new managers, it is hoping next year will be better. It could hardly be worse, given that the machines were sent to England by sea, not air, so they arrived late and the operators were late getting the hang of them. When they did, the machines were not up to the job.

Among the mechanical teething troubles has been the failure to produce print-outs, so there is no open-page display of the details of play, such as a scorebook presents. Instantaneous scoring stores facts but does not show them as items in the game's development. Next season the computers are expected to produce print-outs, which counties can consult, collect, bind and store with their scorebooks or copy into their scorebooks.

Essex is one of the counties most proud of its rich written inheritance, including treasures like scorebooks recording Charles Kortright's noblest matches for his county. There is an irony in the computerised production of match scores on paper to continue a hand-written tradition.

At Chelmsford the scorebox was not letting the latest changes get in its way. It had a scoring computer and operator who, though busy, was very friendly and tried to explain to me some of the machine's tangled undergrowth of technology.

To the ignorant onlooker, the most obvious feature is a large circle which, under instruction, can represent the ground and show where on the ground each shot is hit. The screen also has a scattering of numbers, some still, some changing, and a mass of hidden numbers.

"You have to know what it's doing," the operator told me with a rueful smile, "It's 90 per cent for the media, not for the club."

"Which is why I'm sitting here doing a record for the club," said a lady scorer, raising her hand to acknowledge the tired umpire's uplifted arms as visiting opener Matthew Hayden warmed to his task. "I'm doing one for Australia," said the Australian scorer.

Australian reporters dropped in from the press-box several times while I was there, to check or get details of the score. They always went to a scorebook, which they studied carefully, "reading the game, lady."

At times reflection is gentler than direct sight; at times, especially when looking back, it can be more useful. Cricket scoreboxes offer both ways of watching cricket. "Reading the game" from score-books is too valuable a reflective way of watching to be sacrificed to an empty cause like the one which the TCCB spokesman described to me as "taking the game into the 22nd century."

Fishing/Richard Donkin

A very wet timeshare

HE WAS dressed by Hardy's of Alnwick but it could have been Hardy Amies. Teeth clamped around the remains of a Davidoff, standing waist-deep in clear running water, the fisherman eased back his rod and cast the fly.

He cast with all the assurance of someone who had four salmon on the bank in the time it took to smoke his cigar. They looked like bars of silver-made-flesh, only silver is probably cheaper.

Fishing the Lower Falls beat of the River Beauly in Inverness-shire in July is a heartening experience at a time when estuary netting, drift netting at sea, disease and seals have contributed to a decline in the Scottish salmon. On the Lower Falls beat the fish are there in large numbers, and they are being caught.

There is a price to pay, however: £70,000 for the right to use one rod in perpetuity for a single July week. Stalking potential buyers can be a sport in itself. Further along the bank, a visiting American had rented a rod with a view to buying if his week went well.

Clad in black waders, deerstalker hat and pale cream waistcoat, he looked part-frogman, part-fisherman. He had flown over on Concorde, lured by the mystique of the Scottish salmon. But would he take the bait? He had caught one fish in three days.

Others were catching bagfuls. Eighteen had been taken on the Tuesday and 75 the previous week, the famous Ferry Pool living up to its reputation. Yet one woman was still inclined to grumble. She had not caught anything that morning.

"I can't understand the attitude of some fishers", said William Midwood, managing director of River Beauly Fishings which owns the beats. Midwood is fishing-mad, comes from a landed background and manages to blend his passion for the salmon and its welfare with the realities of running a salmon river for profit.

The Upper, Middle and Lower Beauly beats were bought from The Hon Simon Fraser, Master of Lovat and son of Lord Lovat, whose family had owned the fishings for centuries, in 1990. The new owners adopted the fashionable late-1980s trend of parcelling-up river beats and selling them in "rod-weeks". The stigma of Spanish holiday disasters has led most of the fishing companies to describe their time-share arrangements as syndication, but it amounts to the same thing.

The price that fisheries charge depends on the average catches. The £70,000 asking price for the Lower Beauly beat, for example, was based on an average of seven fish a week at that time of year, or £10,000 per fish. Asking prices are lower at other times of the year when fish are scarcer.

Because some people catch more than others, and because salmon do not always oblige by swimming up the river at the appointed time, the wisest syndicate managers are investing in the future.

The managers of Beauly Fishings have taken something of a designer-river approach, creating lies for fish where none existed. If the water is too low it is raised by the creation of a weir. If the salmon need rocks for a resting lie, they get them. If the fisherman needs a light for his cigar there is a gillie on hand ready to oblige.

Instead of leaving all the returning salmon to their own devices, the gillies spend the winter seeding the feeder burns with fry, hatched from salmon, stripped of their eggs and milt.

The fry are ladled from buckets, one into every square meter of water. "They soon establish their own territories and do not bunch up in shoals, which is what happens if they are all thrown in together. This way, I believe, they have a much better chance of survival", says Midwood

His hatchery programme is concentrating on breeding spring fish, in the belief that their fry will also return in the springtime. The Beauly has an extensive feeder system, spoiled partly by the hydro dams which have dried up some of the headwaters.

Midwood is conscious that the company owns 12 miles of the river and not every part fishes as well as the Lower Beat. While Lower Beauly was teeming with fish, only 300 had made their way up the two dams, via twice-daily lifts, to the Upper Beauly where I was fishing. Still, the fish were there, if not so easy to catch.

My salmon fishing experience is basic. Most of it has been spent not catching fish on the River Tay in the spring. The three days spent not catching fish on the Beauly differed only in that I was not catching them with the fly as opposed to not catching them with the spinner or the shrimp.

Just once in those three days a fish rose to the fly, but I managed to snatch it out of its mouth just in time. The gillie groaned, the man from *Trout and Salmon* magazine groaned also and Midwood groaned too, but I was happy. It has taken many years of thrashing salmon waters to perfect this ability to avoid catching salmon. A long time ago I caught a 23lb fish. It was my first, a big one, and I have not since seen its like.

■ *The River Beauly Fishings, Broomy Bank, Hampton Heath, Malpas, Cheshire SY14 8LT.*

Golf/Jock Howard

The handicap of poverty

I WENT TO a golf tournament in the Czech Republic. This, I suppose, is like going to watch snooker in the Andes. Eastern Europe is not exactly classic links-land. The nearest examples of seaside turf, pot bunkers and rolling sand dunes are hundreds of miles away.

I was there to find out about the "other half": the professional golfer who drives a battered Morris Minor, does not have a Greg Norman-size bank account and lives with his parents in east London. Golf can seem glamorous and alluring if you look at the White Shark and his 12 Ferraris. The other side is more about bald tyres, leaking radiators and five-footers for your own money.

The tournament was the Corfin Charity Challenge, one of many events throughout Europe on what is called the Challenge tour – a satellite circuit for those who have not yet made it with the big boys. It was held on a course called Marianske Lazne, which is about three hours' drive along country roads west of Prague.

Considering golf was suppressed for four decades under communist rule, it looked in remarkably good condition. What is more, this royal and ancient game was being played – appropriately but astonishingly – on a course opened by Edward VII in 1908.

At first sight it looked like any other tournament. There were leader-boards, a press office, marshals with "Quiet please" signs, a practice ground – even ropes to keep the crowds at bay.

The professionals looked like any other professionals, squeaky clean, dressed immaculately. They behaved like other professionals, beating balls from dawn to dusk on the practice ground. And they seemed to hit just as straight and just as far as their more illustrious brothers.

There were differences, not least the fact that I was the only spectator; the ropes down the sides of each fairway were there to keep *me* from charging on to the course hunting autographs. Most of the 118 players carried their own bags, unable to afford caddies. Occasionally, a father or a girlfriend would step in, pulling a trolley and offering consolation. For most, though, it was a lonely walk, a solitary existence.

"We all have a dream," said one hopeful, Alan Saddington. "We all think we are one day going to burst through and take the regular tour by storm. If we didn't, there would be no point in being out here. You have to have a vision. I would do this whether there was any money to win this week or not."

Only the top 15 in each tournament (out of 120 or so) will make a net profit at the end of the week. By the time Sunday night comes round, there are, inevitably, many more disillusioned and sad souls than celebrating ones. "It's not depressing," says Andy Stubbs, whose baby the Challenge tour is. "We are providing alternative competition for those who haven't made it on the regular tour.

"Believe it or not, there are hundreds of guys out there, all over Europe, prepared to spend over £500 of their own money, every week, following their dream to be a professional golfer. Most of them don't make a living but, for those few who do, it's all worthwhile."

It costs about £20,000, in living and travel expenses, to play the Challenge tour for a season. Most of the players do not have sponsors. Many drive from event to event because it is cheaper than flying.

They share jokes and sandwiches with each other even though they are in competition. They refuse to treat themselves to a meal in a restaurant unless they have had a good week. Before the last putt has dropped on Sunday night, most are on their way, in cars and caravans, to the next event.

The Challenge tour has 51 events worth a total of £2.4m, which might sound a lot until you compare it with the £24m available on the star-studded Volvo European tour. It costs £150,000 to sponsor a Challenge tour event, compared with more than £1m on the Volvo tour.

Nick Faldo says his dealings with the media corps are the most difficult part of being a superstar. After he won the Open at Muirfield last year, some of this frustration was evident when he thanked them "from the heart of my bottom" in his victory speech. He says the endless requests from autograph hunters often get on his nerves.

Those on the *Challenge tour* would give their back teeth for just a little of this harassment.

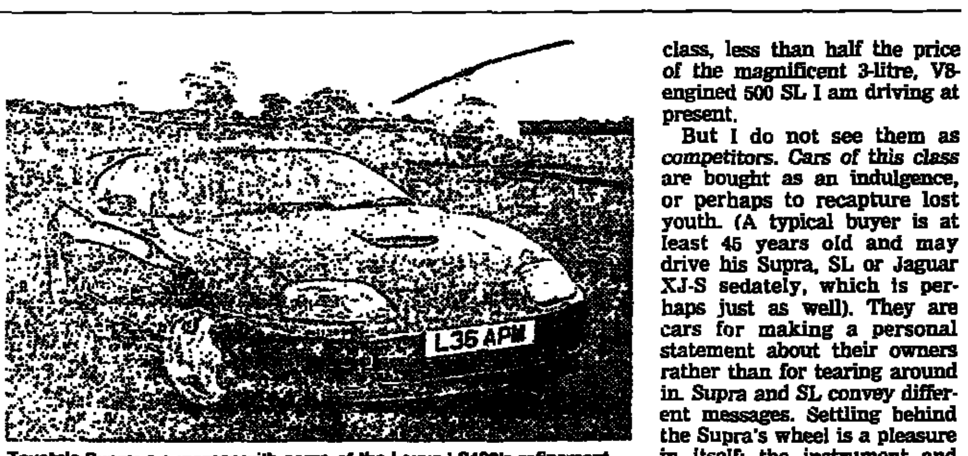
Motoring/Stuart Marshall

A reminder of lost youth

TOYOTA'S new Supra is a Lexus among super-sports cars. A Lexus? Let me explain. The Lexus LS400 is Toyota's prestige luxury saloon: a 4-litre, V8-engined, top management car that by common consent is quieter than a Rolls-Royce.

The £37,500 two-plus-two Supra has much of the urbanity of a Lexus as well as being ultra rapid. Its twin turbo-charged, 3-litre, straight-six engine puts out 326 horsepower at 5,600 rpm and 90 per cent of that at only 1,300 rpm. When I drove it in Germany last week it was still accelerating hard when the speed limiter cut in at 155 mph (250 kph). Without a limiter, Toyota says, it would be good for a shade over 180 mph (290 kph).

Far more importantly, it cruised gently on country roads at one-third of that speed. Pick-up was swift without changing out of top. But the effect of dropping down to third and flooring the accelerator was like firing a gun. Buyers are offered a six-speed gearbox, jointly developed by Getrag of Germany and Toyota, or a four-speed automatic for the same price. Good though the manual Supra is to drive, the two-pedal version is much better. With an avalanche of power on tap from 2,000 to 5,000 rpm, who needs six gears anyway? The smooth automatic lets you concentrate on enjoying the Supra's peerless handling in the country and makes for greater relaxation in town traffic.



Toyota's Supra: a supercar with some of the Lexus LS400's refinement

Though it has far more power than any six-cylinder rival it is undemanding to drive. A traction control system eliminates wheel spin when accelerating and maintains the Supra's courtly manners on wet and slippery curves. The Supra rides with much the same comfort as a sporty saloon because the suspension is soft although heavily damped. Only very low speed driving in former East Germany's down-at-heel villages made it feel harsh. The short sidewalls of tyres less than half as high as they are wide cannot absorb the shock of rolling over cobblestones that have not been relaid since the days of horses and carts. Closest rivals of the Supra are the Nissan 300ZX (£33,230 in Britain) and Mitsubishi 3000GT (£38,329). It is far cheaper than a £58,000 Mercedes 300-24v SL, which is the best seller in the sporting high-performance class, less than half the price of the magnificent 3-litre, V8-engined 500 SL I am driving at present.

But I do not see them as competitors. Cars of this class are bought as an indulgence, or perhaps to recapture lost youth. (A typical buyer is at least 45 years old and may drive his Supra, SL or Jaguar XJ-S sedately, which is perhaps just as well). They are cars for making a personal statement about their owners rather than for tearing around in. Supra and SL convey different messages. Settling behind the Supra's wheel is a pleasure in itself; the instrument and control layout is faultless. Everything one needs is standard equipment – twin airbags, air conditioning, a front spoiler that drops down at 56 mph (90 kph) and retracts below that speed, leather trim, cruise control, power-adjusted driver's seat and an elaborate anti-theft system.

There is only one optional extra; a one-day course on and around Silverstone Circuit with the John Watson Performance Driving School. It will cost Supra buyers £260. They may feel it is worth every penny because it will be the only chance they will ever have of discovering what their new toy will do.

هكذا من الاصل

PROPERTY

Yorkshire grit will out

WE NEED Yorkshire determination. *I have often* thought this summer when "carry on failing" became the motto of the English cricket team. It is wise to *buy a house there. If Yorkshiremen* built it, it will not collapse.

The large county, soon to be re-arranged yet again, has something for everyone. Industry and farming work side by side. It is easy to escape from a day at the mill to walk on the moors or in the dales. Edward Waterson, of estate agent Carter Jonas in York, says it sells two out of three houses in country areas to outsiders. Many come to work in Leeds, take to the life of North Yorkshire and quickly want *to stay for good.*

Yorkshire is packed with places for expeditions, from spas to fishing ports such as Whitby with its unaltered, box-pewed church, complete with a pew for "*fallen* women." Palaces such as Vanbrugh's Castle Howard and Carr's Harewood House show how country houses took over the dominant role in the rural economy that Yorkshire's great abbeys – Fountains, Rievaulx, Selby and Bolton – enjoyed until Henry VIII dissolved them.

Roman York (Eboracum) was Britannia's second city and in the Yorvik centre, beneath York's Coppergate shopping precinct, the pioneer of the now fashionable "time cars" *resurrects the Vikings*, following the old idea of end-of-pier ghost trains. Centuries later, the grand public buildings and factories of Sheffield, Leeds and Bradford sym*bolised the industrial revolution.* The University of York, a 1960s' foundation, is a leader in the subject of conserving historic buildings.

Waterson says July was Carter Jonas's best month for several *years in terms of offers for* houses. The momentum has carried into August. But Tim Blenkin, of Blenkin & Co. – Knight Frank & Rutley's associate in York – is cautious, noting that some houses are still over-priced compared with what the same money will buy in Gloucestershire or Sussex.

'We still have some teaching to do,' says agent Tim Blenkin. 'Buyers want value'

Why? "People have deep pockets in Yorkshire, and are cannier with their money," he says. "There have not been the business repossessions or Lloyd's disasters, as in the south. *People are not aware of how bad* things have been. But we still have some teaching to do – that buyers want value."

Vendors holding out for late-1980s' prices are unlikely to achieve a sale. At Wagwood House in Sheffield, with eight acres, faith and commonsense were rewarded. Bagshaws sold it by auction for £535,000 *after bidding began at a modest* £200,000.

High on the North Yorkshire moors, Rigg End at Hartoft, near Pickering, has 41 acres, superb views down the valley of the river Seven and fishing on the river. It is on offer from Rounthwaite & Woodhead or Jackson-Stops at £425,000, down from £450,000 in June.

In Malhamdale Scalegill, near Skipton, there is a converted mill deep in the valley, with three cottages (for holiday lets) and two turbines which could be restored to provide power. Blenkin asks for offers over £400,000.

Meanwhile, Longside House at Ramsgill-in-Nidderdale, high up the daleside, is available from GA for £325,000.

Savills is selling three houses at £325,000. One is a horsey property, Holden House Farm at Upper Batley, near Leeds. It has 11 loose boxes and is two miles from the M62 *for escaping to Lancashire.*

The second is Woodclose House, at Pateley Bridge, between Ripon and Harrogate. The garden and garden wall, with battlements and tur*ret, overlook Nidderdale. The third* is Long Marston Hall, 17th century and listed Grade II, where either Cromwell or Fairfax (on the parliamentary side) had their headquarters before the battle of Marston Moor in July 1644.

The 14th century Farnhill Hall also has a military link. It is a peel, or fortified, house with four towers at each corner of a great hall, built on high ground for protection against the Scots. In need of some work, it is listed Grade I and priced at £350,000 from Westlake.

Fellbeck Old Hall is more ancient still. It is a dales farmhouse of about 1260 which still has its cruck timbers and remains in fine condition. It used to belong to the monks of Fountains Abbey and has 25 acres and farm buildings. The house, at more than £450,000 from Cluttons, faces towards the strange formations of Brimham Rocks.

For the 17th-cum-early-20th century Hanlith Hall, near Kirkby Malham, Cluttons asks £750,000; this *includes a 501-acre let farm and an* indoor swimming pool, sauna and solarium. It seeks offers over £1m for Scale House, near Skipton, with its 772 acres (376 of them let), pheasant shoot, and quarry with fossils that is a site of special scientific interest. For that price, an alternative is Strutt & Parker's Skewkirk Hall, near York.

In the hamlet of Street, in Great Fryup Dale near Whitby, Street Farm is a 1749 yeoman farmhouse in stone (from Jackson-Stops; price £155,000). Normanby Hill, on rising ground at Sinnington in the Vale of Pickering, first went on the market at £350,000 in 1990. Now, Blenkin is asking around £200,000, reflecting a need for repair as well as the decline in the market.

■ *Further information from agents in York: Blenkin (0904-671 672); Carter Jonas (0904-627 436); Jackson-Stops (0904-625 033); Savills (0904-620 731). Agents in Harrogate: Cluttons (0423-523 423); GA (0423-530 700); Strutt & Parker (0423-561 274). Agents elsewhere: Rounthwaite & Woodhead, Malton (0653-600 747); Westlake, Skipton (0756-748 100).*

Gerald Cadogan

Farnhill Hall, a fortified Grade I house priced at £350,000

Gardening/**Robin Lane Fox**

Climbers which make an impression

IN THIS sudden week of heavenly weather, an image of the painter Monet keeps returning to my mind. At this moment, *the nasturtiums must be flowering* along the path of his garden at Giverny, in France, recently recreated for visitors. Perhaps there are still some water lilies, and possibly the agapanthus are as good as mine and almost as good as the most valuable agapanthus in the world, which Monet painted in his 80s and which *now hangs in the basement of the* Marmottan in Paris.

It is not for these reasons, however, that I am thinking of him. He used to say that nothing else in the world interested him except his painting and his flowers. I have moments of envying his nerve in saying this, and rather more *moments of reminding myself why I* disagree. Then, I look at the newly-built arches in my garden and picture him again, the patron saint of arch-building, which has continued to be a craze after his death.

At Giverny, above the nasturtiums, the managers have reinstated wide arches for their roses (the colours of some are better than others). Monet himself first added these arches to his garden's metalwork in 1891 when he was 51. I am pleased to discover that he painted *them a bright and leafy shade of* green. My arch-builder painted mine in my absence and did not forewarn me that he was thinking on Monet-coloured lines. I had expected something darker, but the grass-green is already fading gently and I can tell myself that I now have a true Impressionist colour, *chosen carefully for all Monet's* arches, shutters and woodwork.

Nowadays, many companies will sell you arches in sections and some will even send adequate notes on how to assemble them. I have always found it cheaper to hire a local blacksmith and buy any materials from him. I have also hired a friend's trained metalworker, who saved me the aggravation of erecting an Agriframe and put up my arches instead.

They went up in June and I think *they are the reason non-gardeners* are so sure that, this year, the garden has taken a great leap forward. Quietly, they have been waiting for me to go Sloane. They would be even more impressed if only I could decide what to put on them.

Sometimes, readers send me a good idea: you first sent me the *yellow-flowered clematis for the hot* south wall and the best red rose, Etoile de Hollande, for a wall facing east. We all know about arches of laburnum, which look spectacular if you use the vossii variety. We also know about wisteria, and it is now worth studying *The Plant Finder* for the best whites, the Chinese form called Caroline, Black Dragon, and the others which I used to think had disappeared. I find that the lovely Multijuga variety is too much on a normal arch because its wonderfully long flowers dangle for several feet and close it off.

Fewer people know about the Judas Tree, which will also cover an arch. It flowers sparsely, but its leaves are pretty and can be eaten in salads early in summer.

Otherwise, if you want to be showy and original, where should you *look?*

On my dry, stony soil, it is no use relying only on roses: they grow wretchedly and develop black spot by midsummer. On happier soils, I still think that the pale pink-white New Dawn is in a class by itself on an archway. In general, I prefer repeat-flowering climbers with big flowers to the rampant, once-flowering ramblers which are recommended most often.

I prefer anything to the newish, pink Sophies Perpetual. I find its colour beastly and I am struggling to stop its harsh flowers from appearing throughout the year. Mrs Herbert Stevens is a lovely double white and, in sunny, sheltered places, my beloved apricot, Lady Hillingdon, is excellent because her flowers tend to droop and thus appear through the ceiling of the arch.

What, though, if roses dislike you, or you wish to vary the scene?

I am sure of one thing which Monet never knew. The outstanding clematis on an arch is Perle d'Azur, which is at its best now and is so wonderfully vigorous that it will thrive and flower unstoppably.

Otherwise, where do we look? In mild gardens or expatriate bunkers, I would go straight for the lovely white Solanum jasminoides, but it will not survive hard winters in open ground on a British arch.

White jasmines in Britain are usually rather scruffy, with more leaf than flower. I could live with an entire arch of honeysuckle, but most of them will not live with anything else because they throttle it and reduce you to their single season.

The better-behaved varieties, Dropmore Scarlet and the scented Graham Thomas, are not at their best in full sunlight. The main point of an arch is to cast shade in an over-exposed position: the climbers have to be able to take full sun on their heads, and some of the honeysuckles will turn brown.

Passion flowers, golden hops and Chinese gooseberries are all a mess. After studying lists of climbers, I am inclined to abandon them and consider training and pruning particular trees. At Kiftsgate Court, in Gloucestershire, the rose garden is rounded off by a fine arch of whitebeams, trained together and clipped hard. At Greys Court near Henley, Oxfordshire, you can see an airy arch of pink-flowered acacias. Hazels are worthy, but very dull.

My present thought is that the neglected staphylea might be the answer for those who want a change. It carries hanging bunches of white flowers, in its better forms, and it comes at that awkward moment in late May. I will report on progress.

Monet, I suspect, would say that *the answer was obvious and* the correct decision is to plant more wisterias. They grew to look superb on his wide Japanese bridge. Somehow, though, I do not wish to be obvious and will probably live to regret it: hold fast for news of a staphylea, unless you come up with a better idea.

هكذا من الأصل

Here come the brides

IN THE cold pre-dawn of next Wednesday, a queue will start to form outside an undistinguished building in downtown Boston. A line of well-heeled women will pay homage to one of the biggest days of the US shopping season – the Bridal Event at Filene's Basement.

This is no ordinary sale. The queue is expected to include not only bargain hunters who take the first T-subway from Alewife or Harvard, but seriously rich customers who stroll over to Filene's from the Ritz Carlton, where they checked in after flights from New York.

Shoppers with some of the highest credit ratings in the country will be waiting patiently for a genuine bargain. Inside, assistants will be putting the final touches to more than 800 wedding dresses with famous labels such as Saks Fifth Avenue, Dior and Bloomingdales.

Normally none of these dresses would sell for less than $1,000, and most for much more. Next week they will each sell at $199. The finer trappings of buying *haute couture* – a calm atmosphere and deferential staff – will be abandoned at 8am when the doors open.

The basement – 60,000 sq ft of space on two subterranean levels – is an institution with all the reserve and panache of the Colosseum in ancient Rome. The customers are following a grand tradition. In 1940, 15,000 women stormed the store after it purchased the last dresses to leave the Paris boutiques before the German occupation. More recently, 18 shoppers flew from New York to attend a $1.3m fur sale.

Clothes are thrown into troughs where shoppers gather

On an average day up to 20,000 people visit Filene's Basement, the independent off-shoot of the larger and more refined Filene's department store. That volume of traffic allows the store – taken private by a management buy-out in 1988 and refloated in 1991 – to sell brand names such as Brooks Brothers, Lord & Taylor and Pierre Cardin at savings of up to 80 per cent off the original prices.

The returns are rich. The basement has taken $2.39m in a single day's trading; in 1991 its annual one-day sale of men's suits grossed more than $1m. The scale of its turnover, involving up to seven truck loads' of stock every day, makes the performance of some London stores look modest.

The store has a unique attraction – the automatic markdown plan, under which merchandise carries a price tag listing the date the item was first offered for sale. After 14 days the price is cut by 25 per cent; further cuts are made after 21 and 28 days. If the item remains unsold after 35 selling days it goes to charity.

You can spot markdown merchandise by the crowds four or five deep. Clothes are thrown into wooden troughs, known as booths, where shoppers gather to feed. They can buy Christian Dior dress shirts at $20; Rossinimoda or Vittoria Ricci shoes at $69; Pierre Cardin jeans at $20; Michael Laurence suits at $68.99 or splash out on a Gianpaulo creation at $299.

The income generated by the plan has allowed the store to expand rapidly with branches opening in Chicago, Washington DC and Minneapolis, and shortly in Manhattan. Filene's Basement sees no need to come to Europe just yet because Europeans are busy going the other way, scrummaging along with the hardiest Bostonians. But shoppers be warned: passengers arriving in Britain from the US may bring only £36 worth of goods home with them duty free. Any items worth more are subject to duty of up to 20 per cent. Undeclared goods are subject to much stiffer penalties, and sometimes confiscation.

Filene's has more than enough stock to satisfy the appetite. There are clothes and accessories on the selling floor worth $2.5m, and a further $14m in the stock rooms. Next Wednesday, Basement general manager Donald Scott is looking forward to big queues for the cash registers and credit card machines. "People spend thousands on their wedding but pride themselves on cheap dresses," says Scott. "They even keep the tags to brag about – it make us different from any other store in the world."

■ *Filene's Basement, Downtown Crossing, Boston, tel: [0101]-(617)-542-2011. British Airways offers weekend breaks to Boston from London Heathrow, with prices, including accommodation, starting at £321 per person, tel: 0293-615353.*

Tim Burt

I know what I like in your wardrobe

The difficult art of choosing your partner's clothes. ***Liz Walker*** *concludes her series*

CHRISTOPHER WATSON, ex-army officer and district councillor, loves choosing and buying clothes for his wife, Anne. "A man with a badly-dressed wife," he believes, "is half to blame as he is not paying her enough attention."

"Choosing clothes," he says, "is not that different from choosing curtains, a car or a radio. If you see a half-dozen antique knives there will always be one better than the others. But you need the eye to spot that one.

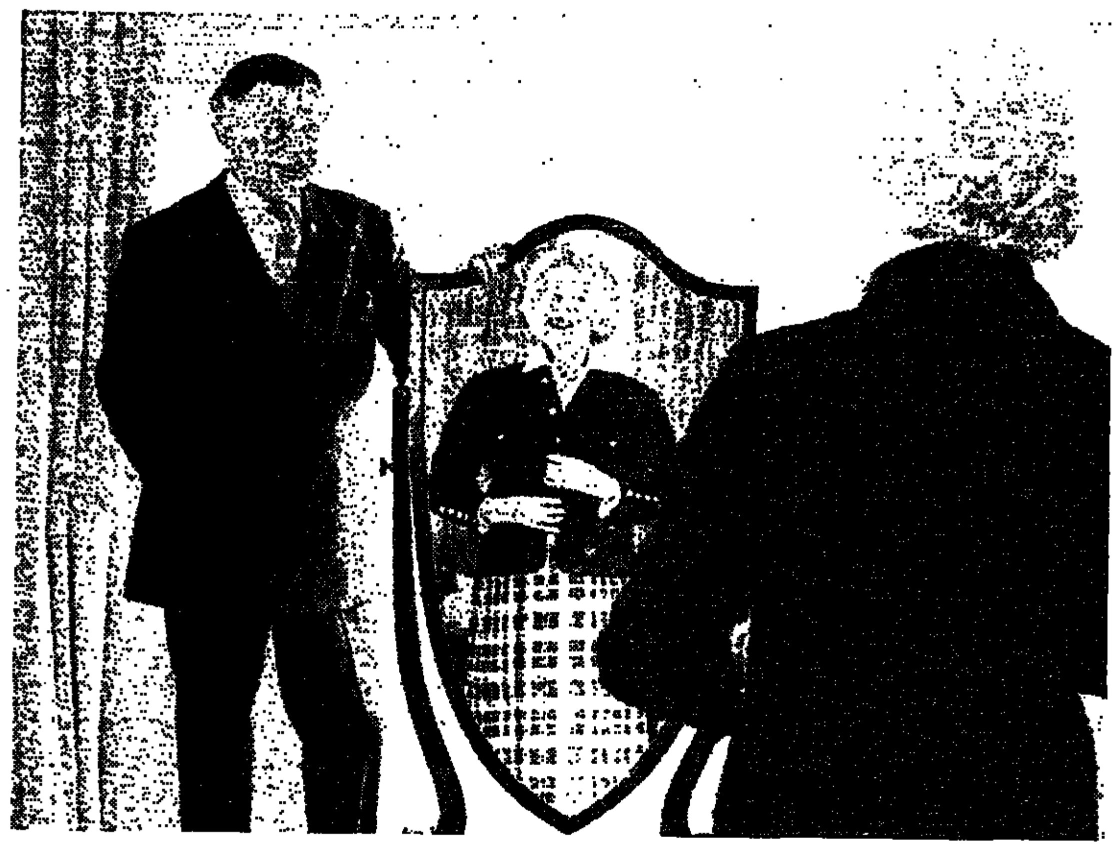
"I keep a chart of Anne's measurements in my wallet as sizing is not always consistent. I used to like Hartnell when it was in London. Now I like the Scotch House for sweaters and Rigby & Peller for bathing costumes and lingerie – my step-daughters are usually impressed with what I choose for them. Then there is Harrods, The White House for dressing-gowns, and Marks and Spencer is good for basics, although I always like to see the belts replaced."

Anne feels she is "a country girl at heart" and is always "rushing over the fields in a felt hat. I don't seem to have the knack of dealing with scarves or stoles. I don't mind Christopher helping me choose things as we have much the same taste. It's rather fun; he goes to endless trouble and if there is something I don't like I can usually wheedle my way around him.

"When I shop by myself I might bring several things home for him to look at. If he comes with me and I do not choose anything he calls me a fool for wasting his time.

"Where we differ is that I am rather more practical. He bought me a very good cream coat that is hardly worn as I do not go to many race days any more. One disaster was a pair of navy-blue shorts that came above my knee – I felt stupid in them and so they had to go back."

Christopher has strong views on style and feels that "high fashion does not do women any favours". "It gives me so much pleasure to choose things for Anne, even though some people do think it's a little odd," he says.



Colin Beere

Sartorial soulmates: clockwise from top left, Christopher and Anne Watson, who enjoy the challenge of shopping for each other; Robert and Jan Kilroy-Silk, who swopped beatnick black and lilac ties for Senior Service-style sweaters and Hugo Boss; Carolyn and Alasdair Hadden-Paton, who model clothes for each other at home and in business; and Mark and Jojo Leatham, former fashion peacocks who now favour restrained elegance

JAN Kilroy-Silk met her television presenter husband Robert when he was still at school in Birmingham. Even then he was fashionable, wearing hand-made white shirts with his regulation blazer and flannels. While she was at art college, dressed in black from head to toe, Robert was parading in an Italian suit with lilac tie, matching socks, and winkle-pickers.

It was not long before Jan took his wardrobe firmly in hand. She remembers in particular "a very nasty white sports coat that he wore, which I had the bright idea of dyeing navy. Unfortunately, the thread stayed white." He was gradually subverted and went on to sport the chunky sweaters, cords and Senior Service style favoured by university lecturers.

When Kilroy-Silk became a Labour MP he adopted suitable suits, tailored under Jan's watchful eye. "There was one pin-striped model that we used to call my MP suit. Then, when I started the Kilroy Show, five mornings a week on BBC1, I continued to wear suits but did not have time to visit tailors for fittings. To begin with they wanted me to wear Frank Bough-type sweaters but I didn't think that was quite me."

Basically, says Jan, "Robert hates shopping – except for books – although he has definite ideas on what he likes. I usually go into Masons of Maidenhead in Berkshire, pick out lots of things and then persuade him to come in and try them on. He will buy about four or five suits at a time. He is a fairly stock size but needs the waists taking in."

Giorgio Armani and Hugo Boss are favourite designers for more formal suits and ties, but Ralph Lauren checked shirts, cashmere sweaters and Levis are the weekend look. "I used to have about half a dozen cardigans all in bright colours but I now prefer cashmeres in dark navy or maroon. I always change into something more casual the minute I get in from town."

Lydia van der Meer

Colin Beere

Robert has not bought any clothes for his wife since he experimented with a candlewick dressing-gown with a zip down the front ("if ever one's image felt crushed . . . ," says Jan) but feels that she always look smart and sexy. "I like her wearing classic Italian outfits. I am not keen on the baggy Japanese look. I know what I like but would not know how to achieve it."

Carolyn Hadden-Paton, who owns and runs Sam Browne, a shop specialising mainly in weekend clothes for City types, chooses nearly everything that her husband, Alasdair, puts on.

Alasdair Hadden-Paton used to be a chartered accountant and then went into the venture capital business (or, according to Carolyn, became an "adventure capitalist"). He has also, in partnership with David Neylor-Leyland, recently opened two up-market "bed and breakfast" hotels in London.

"When Alasdair and I first met I was working as a buyer of women's clothes in Patsy Seddon's first Phase 8 shop, while Alasdair was still at school," says Carolyn. "Our relationship nearly ended on our first date when he arrived wearing a jeans-jacket, cowboy boots and jeans that were far too tight. His sister-in-law worked in the Midnight Blue store and he probably got a discount.

"The first thing I bought for him was a pair of bathing shorts from Douggie Hayward, the tailor. He now has 10 pairs in his wardrobe. But when we were first a couple we never went clothes shopping together. He was dressed by his mother from Marks and Spencer and, as he is rather ape-like, had his shirts made in either Hong Kong or Cyprus, where his brother was stationed. Mufti wear tended to be the too-tight jeans."

Now Carolyn chooses and buys all Alasdair's clothes, from double-seamed jersey boxer shorts, ankle-length dressing-gowns ("I don't want to see hairy legs over my morning muesli"), bright cord trousers with pleated fronts, brushed cotton shirts to tailor-made business suits. "Luckily," she says, "he is incredibly easy to dress. I don't know what I would do if I had a husband with tiny little legs."

Alasdair buys his classic shirts from Thomas Pink in London and his ties from Yves St Laurent or Hermès, as Sam Browne's wonderful Italian silk ties tend to be snapped up by customers as soon as they arrive.

"He is a perfect house model, and I frequently make him try things on for me. When he goes golfing at the weekend with his men friends they are always asking him where his clothes come from. He is a very good advertisement for my shop."

Mark Leatham's office in Camberwell, south east London, gives you some clues to both his business and his private passions. There are glass cases full of stuffed birds, a Welsh dresser loaded with cans of olive oil, enormous packets of exotic coloured spaghetti, a 2ft cigar and acres of paperwork. His main business, Leathams Larder, sells dry goods to specialist shops. He also supplies quail to the multiples and game and fish to private clients.

"When I was in the army in my younger days," says Mark, "I was a bit of a peacock and wore suits made by my old Etonian tailor and shirts from Turnbull & Asser. I was always correctly dressed in the right kit. My prep school headmaster said I was the most immaculate boy he had met during his 30 years there."

Jojo Leatham met her husband after he had left the army and was setting up a game-supplying business with his brother. Although he was very good looking, his sartorial elegance had vanished. "He wore very tight trousers, never wore underpants, and rarely wore socks," she says. "The worst T-shirt I ever remember him wearing said 'Horny Toad' on the front. I thought, 'nice body, shame about the clothes.'"

Mark soon realised that the rest of his management team was looking very smart and that it was time to polish his image. "My priorities had changed; I was no longer a batchelor who had to flaunt his peacock feathers; I had caught my bird. I had to go out and look functional, not too flash or trendy, although I like ties to be a bit off-beat. I leave the designer suits to my younger brother, Quentin. However, I do like pink: I feel the colour softens me up a bit."

His blazer was "built" by his old school tailor in 1987 and still has his regimental buttons. Most of his shirts come from Thomas Pink, and his country ones are by Johnny Boden. Gone are the tight white Midnight Blue jeans, replaced at weekends in Oxford by plus-fours for shooting or bright coloured cords from Hackett, bought quite frequently as Jojo has a tendency to shrink them in the washing machine. "I don't consider dressing-up to be important and I wouldn't appreciate cashmere – cut-price Shetlands from Scotland are more the thing two years into a recession, especially with a brace of children. I like to buy Jojo the odd silk shirt when I go to Paris."

Mark still thinks of clothes as an extravagance and at least twice a year Jojo has to restock his wardrobe with necessities such as underwear, shirts and ties. Without her, she thinks, he would "just carry on wearing whatever had, regardless of the state it was in. If he really had his way, he would go round in scruffy old corduroys looking like the gardener."

Restaurant Review

Where east meets west

Top chef ***Ken Hom*** *enthuses over Bruce Cost's cooking in California*

AS AN authority on Chinese cuisine I am always on the lookout for *any* good Asian restaurants, Chinese or otherwise. Thus, I was delighted in 1989 to discover Bruce Cost's San Francisco gem, Monsoon, shortly after it opened.

I was impressed by its imaginative and delicious offerings and my experiences there, until it closed in 1991, only confirmed my original judgment. Food critics and writers from all over America have joined me in that consensus. Now Cost has moved to Berkeley, on the other side of the Bay, to take over Fourth Street Grill which he has transformed into Ginger Island. The delicious menu would give some of the best restaurants in Asia a run for their money.

Bruce Cost, the proprietor and chef, is not of Asian descent. Nevertheless, he has mastered the essences and subtleties of Asian cuisine as if he were a native. Before Monsoon and Ginger Island, he had already established his reputation as an accomplished chef, an expert on Asian cuisines. He began his apprenticeship years ago in New York, under the guidance of Virginia Lee, a fine cook. This soon led him to become a chef and cookery instructor. When he moved to San Francisco, he found easy acceptance into the Bay Area circle of cooks whose foremost member is Alice Waters, of Chez Panisse fame. This group was influential in forming what is now popularly known as California Cuisine, with its emphasis on freshness, colourful combinations, imaginative reworking of classics and the creative blending of different culinary traditions, the familiar and the exotic.

Alice Waters acclaims Cost as "one of the greatest cooks I've ever known." I agree.

Cost is a fanatic on freshness of ingredients. He boasts that the only items in his freezer are his frozen fruit ices, made on the premises. Every main ingredient, from fish, seafood to meats and poultry, is delivered daily, in the case of fish and seafood, usually live. Cost is an expert on Asian spices and flavourings and uses only the best peanut oils, vinegars and soy sauces.

Although specialities change daily, some popular favourites are almost always available. My personal choices include Vietnamese spring rolls and Ginger Island wontons. The spring rolls are a delicate and refreshing combination of tastes and textures, crackling rice paper with a savoury filling. The wontons are perfectly poached dumplings with a delectable pork filling and a wonderful hot vinegar-ginger sauce. Equally good is the alternative wonton choice filled with earthy Chinese green vegetables and Chinese eggplant with ginger-sesame glaze, a northern Chinese inspired dish which is served with either toast or croutons.

All his claypot dishes taste as if they come, freshly made, from a Chinese home. One of my favourites is claypot of braised pork shoulder. Any Shanghainese would serve it with pride. It is a fatty cut of pork that is slowly braised in a master sauce until the fat has melted into a sweet succulent savoury treat. It is then cooked with white radish. The combination is what a Chinese like myself would always find memorable. However, a clay pot of spare ribs with black bean sauce was uncharacteristically bland and the meat tough.

Ginger Island's seafood is as good as you would find in any restaurant in Hong Kong. A distinctive dish includes fresh clams, sea scallops and mussels perfectly steamed and served in a delicate Thai lemon-grass-ginger coconut sauce. It has a slight bite balanced by the rich sweetness of coconut milk. Shellfish can sometimes have a robust taste, but are rendered exquisite, sweet and ethereal at Ginger Island.

There is usually a selection of fresh Asian vegetable dishes which reflects the seasonal harvest of bountiful California. These may range from Chinese broccoli to *choy sum*, a mustard green. All are prepared with skill and frequently accompany the main dishes with a serving of Thai jasmine rice.

Asian cuisine is not noted for its dessert courses but Ginger Island offers such original delights as fresh ginger cake, Ginger Island hot fudge sundae and fruit sundae. This east-west collection of desserts changes daily, and I have found the sweets delicious and refreshing. They are something in which Cost excels.

The food can be enjoyed in a bright, contemporary and tropical atmosphere and is served in a friendly manner. All this at affordable prices.

■ Ginger Island, 1820 Fourth Street, Berkeley, California. Tel: (510) 644-0444 (reservations advised). Credit cards: Visa and Mastercard. lunch and dinner.

Cost of a meal for two without wine is approximately $40.

BOOKS

Doomed, but driven to confess

***Anthony Curtis** takes a look at the characters in William Trevor's stories*

THERE IS a deep unease that comes from reading William Trevor's fiction. It causes one to be as glad to put down one of his novels or stories as one was to pick it up. The reason for this is that people in whom he is interested are doomed. There is no way out for them. None at all.

Being an Irish Protestant, his fiction is not priest-ridden like that of Brian Moore, but that only makes the guilt from which his people suffer the more immovable. His characters long to confess their guilt. They do so not in the darkness and secrecy of the confessional, but out loud at a social gathering or at a party. Often to a total stranger.

Inevitably such confessions tend to fall on ears that if not deaf are bewildered. The recipient of the confession becomes defensive, or in some other way hopelessly inadequate in response to the enormity of what is being uttered to him or her. He can give momentary sympathy, or some kind of practical help – like, say, the offer of another drink – to the sufferer: what it is beyond his power to do is to grant him any lasting cure or absolution.

The appearance of *William Trevor: The Collected Stories* on September 2 reveals the ubiquitous presence of these guilt-haunted individuals right from the beginning. It was in the 1960s that Trevor's stories started to appear in places like *The London Magazine* and *The Listener*. His first book of stories, with its title-story *The Day They Got Drunk On Cake*, appeared in 1967, and Trevor was at once hailed by reviewers as a wizard in his handling of this difficult form. He rapidly emerged as the successor to Maugham and in Ireland to Sean O'Fáolain.

Doom was everywhere in his early tales. There was the ex-RAF-man, now a driving instructor whose pupil has crashed the car, drowning his sorrows over several pints with a former colleague ("The Introspections of J.P. Powers"); the elderly baby-sitter who finally becomes the baby ("In At The Birth"); the schoolboy who in "A School Story" announces his intention to murder his father and step-mother. Most haunting of all was "The Sins of Edward Tripp".

In this key story Edward T. is racked by guilt at having mercilessly teased his sister when they were children. Now in middle age they live together. Neither has married. Emily has her revenge on Edward by engulfing him in a compulsive fantasy: she insists that each of their neighbours has, one after another, been murdered. After each outburst Edward is forced to ring the neighbour's bell and show her the person in the flesh to stop Emily's raving. When Emily declares that Mrs Mayben has been killed "in cold blood", Edward decides to liberate himself from this intolerable situation by confessing its root-cause to this woman when he enters her house.

WILLIAM TREVOR: THE COLLECTED STORIES
Penguin Books £9.99, 1,261 pages

EXCURSIONS IN THE REAL WORLD
by William Trevor
Hutchinson £16.99, 201 pages

It does not work out like that at all and the scene in which to her growing horror Edward forces his confession upon the lady is typical of the agonisingly hilarious tragi-comedy that is Trevor's trademark.

All these stories were England-based, as was Trevor when he wrote them. In the later stories, masterpieces such as "Attracta" and "Beyond The Pale", he returned to Ireland where he used his skill to reveal guilt not simply as the product of individual fantasy but as the stuff of history. Although Trevor has only rarely applied his gift for dialogue and incisive character-sketching to the stage play, he has adapted several of these later stories as plays for radio and television where they have proved extremely effective in performance.

When he first began to experiment with the story-form Trevor was working in London as an advertising copy-writer. Hitherto he has been reticent about his own life but in *Excursions in the Real World* he breaks his silence about himself. He is highly entertaining about his days in Hill Street, W.1 and its surrounding hostelries. There are tiny glimpses of colleagues who later ceased to write copy and became poets or critics like Peter Porter, Edward Lucie Smith, but the major portrait here in "A Public House Man" is of one Marchant Smith, a great copy-writer in his day and Trevor's immediate boss.

Trevor grew up in the 1930s in the seaside town of Youghal where his father was a bank clerk. He describes his early education among nuns as almost the only Protestant boy in the convent school; then less happily at Sandford Park and St Columba's in Dublin. The author of *The Old Boys* is charitable but penetrating about his earliest teachers. He suggests that frequent visits to the cinema made a more lasting impact on his mind than the formal instruction.

The sketches dealing with his youth in Ireland and period in the London of the 1960s are more memorable than the later pieces on Venice, Stockholm, the Ticino, New York, San Francisco and the brief appreciations of Yeats, O'Casey, Beckett, Somerville and Ross. The overall mood is nonchalant, wry, reflective: the style of a born raconteur whose timing is just a little too perfect for his anecdotes to be completely spontaneous – but make no mistake, they remain utterly riveting.

US view of the Gulf

HOWARD Teicher made the news in Britain a few months ago when he appeared on television to say that as a White House staffer working in the Reagan Administration he had seen classified documents referring to the alleged involvement of Mark Thatcher in Middle Eastern arms deals. The full story of what Mark Thatcher did or did not do has yet to be told, but meanwhile Teicher has vented his spleen against the failings of US foreign policy in the Middle East by publishing an informative and entertaining book of personal memoirs.

The aim of Teicher's book is to illustrate what he terms America's flawed vision in the region going all the way back to President Richard Nixon. Indeed it was Nixon, together with Henry Kissinger, who first codified the notion of access to Gulf oil as a strategic interest for Washington. It was also under Nixon that US policy adopted the so-called "twin pillars" strategy of using Saudi Arabia and Iran (under the Shah) as the twin gendarmes of US interests in the region.

TWIN PILLARS TO DESERT STORM
by Howard Teicher and Gayle Radley Teicher
William Morrow: New York: 418 pages $25

Teicher writes initially from the boiler room of US policy, having spent time in the Pentagon and State Department before joining the White House as a staffer for Bud McFarlane, the hapless national security adviser to President Reagan who was ultimately forced out of office over the Iran-Contra scandal. But Teicher makes crystal clear that when the Shah went and Ayatollah Khomeini arrived in 1979, the US suffered a trauma that has conditioned its policy ever since.

The book is at its best in explaining the disorder, even chaos in the Reagan White House, and how the tilt to Saddam Hussein grew out of the simplistic idea that Iraq could supplant the Shah as the new second "pillar" in the region. Teicher is not gentle with the Reagan Administration, and his portrait of the pro-Iraqi Caspar Weinberger, the Secretary of Defence, shows a man with tendencies verging on the amoral.

The book contains several revelations, especially how the US and Iraq worked together in covert operations between 1983 and 1985 to overthrow Libya's Colonel Gadaffi. Also of interest is the story of how the US pro-Iraqi tilt had its origins with Zbigniew Brzezinski, national security adviser in the Carter Administration.

Teicher's time in the White House, from 1982 to 1987, and his posts as director for Near East and South Asia in the National Security Council and then senior director for politico-military affairs – allowed him a ringside seat during the formation of many US policies that would later lead to trouble. His book is a useful contribution to the history of US Middle East policy in the 1980s, which is still in need of a revisionist analysis that takes one through the Bush years.

Alan Friedman

An African enigma

THE SILLY season offers a once-a-year opportunity for literary pages to catch up on books which would otherwise be ignored. James de Vere Allen's *Swahili Origins* is an example. It deserves the attention not just of the African academic but of the historically-aware *FT* reader who may have an interest in East Africa, because the Swahilis and their culture present one of the more fascinating aspects of that part of the world.

Jim Allen was a famous Kenyan character, a scholar who founded the excellent museum on Lamu Island and died young in 1990. John Middleton, a senior Yale anthropologist, has nobly seen through the press the posthumous summation of Allen's lifelong research.

That sounds boring. But this is the academic on the front line, and it is fun to watch. There is a long-running argument about the Swahilis. Since 800 AD they have occupied a 1,500-mile stretch of coastal settlements and islands from Somalia to Mozambique. There have never been more than half-a-million of them, but they had – have – a remarkably sophisticated culture (magnificent architecture: a beautiful and poetic language; complex folk traditions). So who *are* they? The answer – the argument – lies in the mix, the tension, between their African and Arabian roots.

SWAHILI ORIGINS
by James de Vere Allen
James Currey, U.K./Ohio Univ. Press £35/£12.95, 272 pages

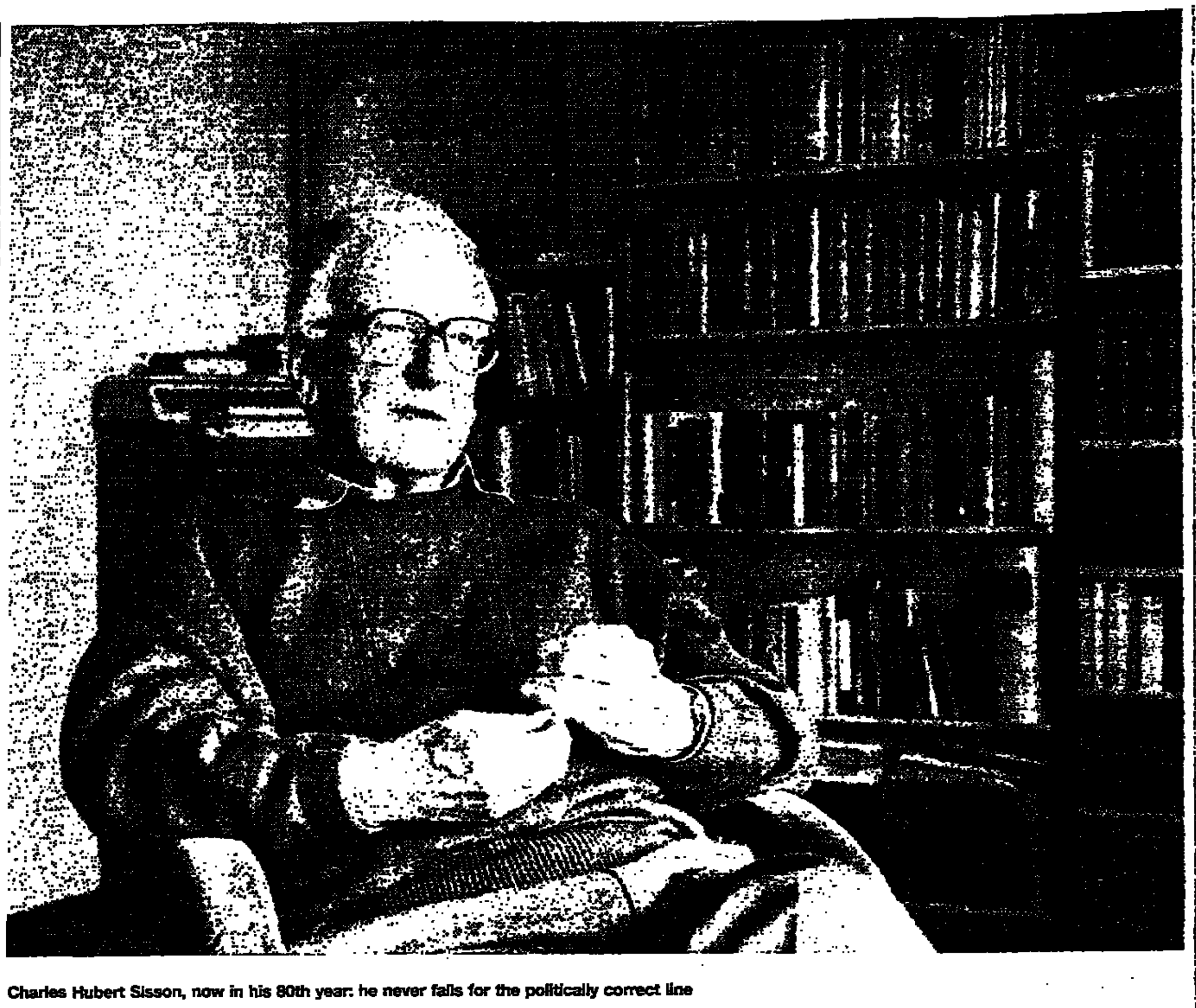
THE WORLD OF THE SWAHILI
by John Middleton
Yale £19.95, 254 pages

Allen was never afraid to push his theories to the limit. He believed that the Swahilis can be traced back, well before the Battle of Hastings, to the imperial town of Shungwaya – "one of the great enigmas of East African historiography". The snag is that Shungwaya has not been found; it ought to be somewhere near Lamu, and it must have faded before 1500, but until the archaeologists dig it up it will remain merely a legend and the critics will continue to scoff.

It follows that Allen believed in an African essence to the Swahili identity; this is disputed by other academics, who are entitled to point out that a lot of this book is guesswork. As Allen retorts, let's have a better hypothesis. Meanwhile, his book has all sorts of incidental details which confirm the particular fascination of medieval history – we shall not easily forget the Shungwaya ruler who fell from grace not because he deflowered the Coast virgins (which was his princely right) but because he did so with his big toe.

John Middleton, who has edited Allen, had earlier produced his own *The World of the Swahili*. It is an interesting and accessible account of "the people of the Coast" until it drifts into material too heavily anthropological for the amateur reader. These are both "academic" books, but they are – both – fascinating and very readable, especially on the beach at Malindi or Shela.

J.D.F. Jones



Charles Hubert Sisson, now in his 80th year: he never falls for the politically correct line

Enemy of the Yahoos

***Gary Mead** likens C.H. Sisson to Jonathan Swift*

"What comes back is that every choice is wrong.
No action finished as it was conceived,
The body withered while the hope was strong;
No itch it suffered ever was relieved."
(from C H Sisson's *The Pattern*, 1993, published by Enitharmon Press, £3.50).

SOME writers gain their glory from a single work, bursting into the firmament like new suns. Others are like distant constellations; it takes time to discern their complexities. We are often blinded by the glare of the immediate.

Out of the glare, Charles Hubert Sisson has for five decades crafted a body of writing which, without public commotion, is impressive in both range and quality. The objects of his attention, the rational voice which underpins his satirical, ironic style, establish him as a true and faithful heir to the 18th century of Jonathan Swift and Samuel Johnson.

Now, in his 80th year, Carcanet has published Sisson's latest collection of 41 essays, spanning the last 40 years, under the rhetorical title *Is There A Church Of England?* What Sisson really means is, is there a Church of England worthy of the name? Not really, it seems: "Not the truth of what is said, as it seems to the speaker, but its acceptability to the largest possible audience, has been the concern of many of those most prominent in the Church... There used to be eternal truth; now, in the mouths of these mis-leaders, there is only the contemporary." The syntax, the firmness of view and the certainty of belief are pure 18th century – as is the essay's firm conviction that reason is the only guide.

When viewed as a whole, Sisson's work takes on the form of a cathedral which has, over time, accumulated a chapel here, a gargoyle there, all of which bring out the architectural immanence of the whole structure. His two novels are acclaimed minor masterpieces. *An Asiatic Romance*, published in 1953 but now out of print, is a wonderfully comic tale whose ancestor is Samuel Johnson's *Rasselas*. *Christopher Homm* (1965), is a relentlessly bleak dissection of a man, with a chronology that skilfully moves backwards, long before Martin Amis tried the trick in his considerably more well-known *Time's Arrow*.

But whether as translator, novelist, poet, literary critic or political essayist, Sisson's central preoccupations – with religious belief and the Yahoo-like nature of humanity – are ubiquitous. The temptation to draw parallels with Swift are irresistible. Just as Swift uneasily combined his relatively eminent role in the Establishment of his day with a frequently expressed resentment at the whimsical nature of political power, so too has Sisson experienced the vicissitudes of fortune at the heart of British political life.

He ultimately took early retirement (in 1972) from the civil service, where he had achieved the senior rank of under-secretary in the department of employment. His successful career came to a fairly abrupt halt, following disagreements with more senior functionaries.

IS THERE A CHURCH OF ENGLAND?
by C H Sisson
Carcanet Press £25, 308pages

But Sisson pooh-poohs the idea that somehow he missed out by not being a full-time "professional" poet or writer, that his having to commute every day to his London office to support himself and his family may have interfered with his creative writing. "The idea that a poet is given an Arts Council grant to spend a year or so just writing is rather odd. I am sure that that is the worst thing that can happen. For me, poetry doesn't 'take time' in that sense. It just happens."

Sisson's work is steeped in a cocktail of a form of Tory political thinking which is now all but extinguished by Thatcherism; a high Church of England theology; and a jaundiced view of humanity. His poem "The London Zoo", first published in 1961, is redolent of T.S. Eliot's *The Wasteland*. It's a bitter commentary on the suburban commuters whose lot he shared each day on his way to his bureaucrat's niche in Whitehall: "Mr Axeter's office is designed theologically:/ Upstairs there is one greater than he:/ Downstairs there are several he must keep in submission/ Who profess they are doing what should be done."

Yet Sisson does not exempt himself from castigation: "And who am I, you may ask, thus to belly-ache! At my betters? I tell you. I am one of the same lot.: – Without lobster and limousine, but, like the rest,/ Expending my best energies on the second-best."

No doubt the latest collection of essays will be dismissed as antediluvian, anachronistic, out-of-touch with the current world. The paradox is that Sisson would not disagree with such judgments, since to fall into line with unreflecting fashion is precisely what his work portrays as a grave human error.

He is a man who, now tucked away with his wife in a remote Somerset village, has never possessed that great dispenser of fashion, a television set. "This business over the transporting of Bosnian children to this country is ludicrous. A person with a television camera can sway the whole world, which is absurd. Mr (John) Major, who is not known for his humaneness, then falls into line. If all your attention is forced into following events elsewhere, then you can easily forget that you have neighbours closer at home. You end up ignoring things at hand. The notion that a committee of international diplomats can decide what some poor chap with a gun will do is nonsense."

That is a voice remarkably out of kilter with received wisdom. What gives that voice authority is the intellectual strength that runs throughout his writing. Marked out by the Whitehall establishment as being sufficiently disaffected not to have deserved the customary honour due his rank, his literary achievements were recognised in unusual fashion in June this year. He was made a Companion of Honour, a gesture which would have tickled Swift's sense of the absurd quirkiness of fortune.

Age has not withered Sisson; his impulsion to write seems as strong as ever. It matters deeply to him that humanity not be swept into the maelstrom of transient tragedies, here today but superseded tomorrow. His core preoccupation in political, theological or poetic contexts, is the destruction wrought on humanity by the massification of culture, spurring on the splintering of society into disconnected shards. The constellations most worth exploring, suggests his writing, are those within ourselves and our consciences.

Intellectual? It's all academic

RECENT YEARS have seen a spate of books on the subject of intellectuals and their place in society. Some are hostile: John Carey in his recent *Intellectuals and the Masses* launched a swingeing attack on intellectuals, alleging crimes ranging from snobbery to Fascism in their attitudes to less literary folk. Others debate the political responsibility of intellectuals, yet others the alienation of intellectuals from society, either because they are disgusted by its philistinism, or because society fails to recognise their value.

In this book Bruce Robbins joins the debate, but with a particular aim in view. "The near total absorption of intellectual life by the universities," say some critics, "marks the decline, if not the obliteration, of the 'intellectual' as a social type." Others add, "Today non-academic intellectuals are an endangered species."

The point is that intellectual life has been increasingly professionalised in the 20th century. It has turned into a job: in fact, a university job. This means that intellectual activity has become specialised and compartmentalised, and the compartments do not communicate. Not only is there little contact between academic specialisms, but – worse – there is little between the academy and the surrounding society. This means that society has lost the benefit of having independent critics in its midst, publicly leavening the general debate by their oblique perceptions and their powers of opposition.

The answer Robbins gives these critics is uncompromising. It is that there is nothing amiss with the academic professionalisation of intellectual life. He argues that such terms as "professionalisation" and "specialisation" mislead us, serving as terms of art in the argument of those who seek to establish that there are no intellectuals left. But his intention is clear. It is to protect the claim of university academics to be the continuers of the intellectual tradition.

Robbins proceeds by exploring the interplay of culture and theory, the transformation of the academies, and examples – afforded by Edward Said and Raymond Williams – of intellectuals embodying "the meaningful life", in these two cases by working in "exemplary fashion" both inside and outside the academy. But as the book unfolds one sees that Robbins' prime interest is the status of the academic literary critic, and a dismaying feeling grows that the debates he reports are merely the internal squabbles of a breed of professors anxious about their role. Academic literary critics have come to see themselves as cultural commentators, and as usurpers of the traditional position of the philosopher in society as critic and shaper of ideas. It is ironic therefore that they do so in a manner, and in a language, unappealing if not incomprehensible to the public whose applause they seek.

SECULAR VOCATIONS
by Bruce Robbins
Verso £34.95/£11.95, 288 pages

Robbins' view, roughly put, is that intellectuals are alive and well in the academy. I only partially agree. I think they are alive and well outside it too: in the media, arts and theatre, in the professions, Civil Service and City. A measure of this is the surprisingly wide readership that exists for serious newspapers and books, and the discriminating audiences that fill theatres and concert halls every night. It is a pretension to think that ideas are only taken seriously in universities. If anything, in the current climate of demoralisation and dismantling of the universities, new ideas and genuinely radical criticism are far more likely to come from the pub than the academy.

As this implies, academics and intellectuals are not co-extensive groups. There are many non-intellectuals in university posts, narrow clerks of learning whose juices, if ever they flowed, have run dry. Of course, scholarly excellence is the essence of academic work. But one wishes to see imagination and creativity in addition, and an alert sense of the contribution that the recondite can make to the everyday. Such gifts are sometimes lacking in the academy, and nothing Robbins says convinces me otherwise.

By contrast, the social debate at large is flourishing. What we should therefore seek is a reunion of the best in both the academy and the wider bazaar of ideas. One way of doing so is to open university doors. Why should members of the public not attend lectures and seminars? Why should universities not invite more playwrights and painters to lecture? Why should companies and the Civil Service not give their staff paid sabbaticals to go (back) to university, to return refreshed and full of ideas? Such developments would help remove altogether the necessity for hand-wringing over the nature and status of intellectuals in society.

A.C. Grayling

Sinner turned saint

FOR OVER a thousand years, two images of women have dominated Christian iconography: the Madonna and Mary Magdalen, the sinner turned saint. The Virgin and the repentant whore, the inaccessibly pure and the fleshy, fallen woman: they are at once archetypal male fantasies and emblems of the Church's ideas about guilt, sin and desire, and its equation of sexuality with morality. For centuries, these images conditioned how women were taught to see themselves, and their importance in the collective female psyche can hardly be overestimated.

But who was Mary Magdalen? Donatello sculpted her as a gaunt ascetic; Titian made her a sensual beauty; in Martin Scorsese's film *The Last Temptation of Christ* she is a sexy seductress. She is so rich a symbol that every society has adapted her to its own prejudices. Power politics, theological decelt, sexual repression and revolution have all played a part in her myth. It is this story, with its compelling lesson in the relativity of cultural perception, that is the subject of Susan Haskins' book.

Mary Magdalen of the Gospels is a follower of Jesus and prime witness of the Resurrection. But early teaching confused her with the anonymous prostitute in Luke; by the Middle Ages she had become the sinner's saint and most favoured icon of a religion obsessed with guilt and death. Condemned prisoners prayed to her and the bell tolled after a hanging was called "la maddalena" in Italy. In reference to her tearful regret, the word maudlin, a medieval French pronunciation of her name, entered English. Monks stole her bones as relics and prostitutes celebrated her name-day.

MARY MAGDALEN
by Susan Haskins
HarperCollins £25, 518 pages

Her biblical role was meanwhile minimised: one medieval scholar claimed a woman was the first to see the risen Christ because she would be sure to chatter and gossip, thus inadvertently spreading His Word. Susan Haskins suggests that a female sinner well suited the patriarchal Church; a bishop who questioned the Magdalen's role as repentant whore was promptly excommunicated. Renaissance humanists rescued her, depicting her as a sort of Christian Venus. Titian, asked why a fasting hermit should look as lovely as his image, replied that he painted her on the first day of her penance, when she was still plump and luscious.

By the 19th century, the fallen woman was back in vogue. Zola, Massenet, Rossetti, created *femmes fatales* called Madeleine who were powerfully sexual but immoral and doomed. Men from Gladstone to Dickens were obsessed with repentant prostitutes, known as "magdalens". The Victorian line in pious pornography, with women posed as semi-naked penitents, went to the heart of the enduring attraction of Mary Magdalen: spiritual love locked in erotic longing, religious and sexual fantasy, the saint and the libertine, have always gone together in the unconscious mind.

This book is full of delights, anecdotes, observations; it exhibits a wealth of scholarship, and I was glad to have read it. But it is also seriously flawed. The prose rambles unforgiveably ("Mary Magdalen's image also reached the foggy British damps of wild, ancient Northumbria"). Vast scope means lack of depth – thinkers from St Jerome to Foucault are parrotted in a few lines. Most damagingly for a scholarly work, Ms Haskins cannot decide whether she is writing cultural history or contributing to it, as she seems to do in her assumption that the Mary Magdalen of the Gospels is the "true" character and in her recommendation of an updated, independent and active Magdalen to "serve women better as a symbol for today".

This makes the book weak and inconsistent, and shuts the door on any attempt to analyse the psychological need or meaning of myths. Haskins never matches the critical judgment and perception of Marina Warner's model book in this area, the study of the Virgin Mary cult, *Alone Of All Her Sex*. And yet – because Haskins is, at heart, a partisan rather than a cultural commentator, her book has a passion and charm which are hard to resist.

Jackie Wullschlager

Dartington comes in from the cold

***Antony Thorncroft** finds the Summer School begining to blow its own trumpet*

THE Dartington International Summer School is edging shyly into the spotlight. For years it has flourished as a discreet coming together of 400 committed music buffs, from enthusiastic amateurs keen to spend a week or two among the big musical names, to sharp students wanting to make contacts and catch the eye of the musical establishment, which from Stravinsky to Britten to Berio has always supported Dartington with enthusiasm.

In the past the School was besotted with the very Dartington concept of the right to fail – that the composers, musicians and singers gathered to create new works, rediscover rarities, and polish established pieces should not be subject to rigorous outside criticism. Dartington was the serious musicians' idea of fun, and not for the real world.

That is changing. Dartington under its artistic director Gavin Henderson is waking up to the fact that it can claim to be one of the largest music festivals in the world, with well over a hundred performances during its five-week season in addition to the thousands of classes, jam sessions and solo music making. In the past the projects put together at Dartington often had a successful after-life, but Dartington rarely enjoyed the credit.

For example "The Juliet Letters", the creation of Elvis Costello and the Brodsky Quartet, was refined at last year's Dartington. This year one of the works licked into shape was the "Ordo Virtutum", created by the medieval abbess Hildegard of Bingen to entertain her nuns around 1200 and arguably the oldest piece of music theatre to survive. It is already earmarked for the 1995 Brighton Festival, of which Henderson just happens to be artistic director.

The Dartington Summer School actually claims the Edinburgh Festival as its parent. In the euphoria of the 1940s it was felt that Edinburgh should have an educational role; and after a period at Bryanston, the summer school moved to Dartington. Unfortunately it naturally became linked in the public mind with the Dartington Trust, that idealistic creation of the inter-war period which never quite created the new man but which spawned a progressive school with an uncanny ability to make the tabloids.

The school has gone, although the Schumacher College promoting new age philosophy thrives, and Dartington College, which provides the Summer School with its facilities, is now the performing arts off-shoot of the University of Plymouth. A new era has started in this idyllic setting in south Devon, which with its landscaped lawns and 14th century buildings can rival Glyndebourne in grace and beauty.

But the Summer School would not want to shake off the idealism of Dartington. At this year's school the Hackney Youth Orchestra was in residence, working up a performance of Holst's "St Paul's Suite", a tribute to Imogen Holst, part founder of the School.

Hugo Glendinning

Dartington: Lawns to rival Glyndebourne's and a burgeoning international reputation

There must be give and take at Dartington. Anyone can pay up to £580 a week and expect some attention. They will be dragooned into the choir, which this week performed Janáček's "Glagolithic Mass", and can hope for some personal advice from Nigel Osborne, Keith Tippett, Barrington Pheloung, or Robert Tear, who all receive a fixed £300 a week for their contribution. Most participants are the keenest of amateurs, students, or young professionals who want to play with the Medici String Quartet, or the Brodsky, or the Schubert Ensemble.

Throughout the grounds music can be heard coming from bedrooms, studios, the bigger halls, or even from soloists among the trees. It is all too committed to seem escapist. Every evening there are three concerts and some tickets are usually available for visitors in the neighbourhood. Any music lover doomed to a beach holiday should think of the south Devon coast and steal away to Dartington in the evenings.

The School is opening up because it wants more money for scholarships and for expansion. It is introducing dance and is considering widening its range to take in the orchestral. At the moment it concentrates on the small scale and devotes each of its five weeks to a dominating musical form, from early music, to baroque, classical, romantic, and modern. There is a growing emphasis on new works and next week around 30 composers are playing around with ideas, some of which will live on through such projects as the Royal Opera House's Garden Venture, which started at Dartington.

Business is beginning to show an interest, notably Audi, which sponsors an International Conductors Class under Diego Masson. But Dartington is unlikely to sell out to commerce. It is really seeking wider recognition as the driving force behind the regeneration of British music and music making.

'Job' and 'The Labryinth'

ONE OF THE Dartington Festival's visitors this year has been the Czech composer Petr Eben, whom some see as one of the important successors to Messiaen. This week he gave the first of two Dartington organ recitals focusing on his own music.

Eben's works are often conceived on a large scale. *The Labyrinth of the World and the Paradise of the Heart*, and *Job*, the two works heard at St Mary's, Totnes, and at the restored former Cistercian Buckfast Abbey, occupy almost an hour apiece. Each consists of eight or more sections of music. By interspersing a speaker, Eben echoes a genre favoured by Stravinsky (to texts by Gide and Cocteau), Honegger and Gerhard (after Camus), with the audience cast as *spectateurs* to a kind of humanist medieval morality.

There is a conscious didactic purpose. The prophet's tribulations and fortitude supply the lesson of *Job;* in the new work, which uses extracts from the ill-fated Czech philosopher-theologian Jan Amos Komensky (Comenius), central Europe's equivalent to Bunyan or Langland, we witness a trail of bourgeois hypocrisy and jumped-up officialdom, satirised with the pungent wit of the brothers Capek or Hašek's *Schweik*.

Buckfast's cipher-prone four-manual organ produced a curiously under-defined performance of *Job* from David Titterington, who has recorded the work admirably. By contrast, *The Labyrinth of the World and the Paradise of the Heart* is a "work in progress", still evolving through a process of improvisation. The joins inevitably showed, and there is the added danger that the organ interludes seem to mimic, as much as illuminate, what has just been read.

The contrasts and build-ups were well measured, with lively registration. Eben's sinuous, diabolic writing, is has been said, can be more effective than its opposite. But it is in understatement that he most excels, as where the plainsong unexpectedly transmits into the tenor using an 8-or-4- foot reed on the pedal.

The key to this performance was a first-class speaker, the baritone Thomas Helmsey, who gave Comenius' text the Rabelaisian vent it deserves. Yet even this vigour and Eben's own intensity could not prevent the final *volte-face*, an unadorned statement of Comenius' hymn from the Leiden MS, seeming at best naive, at worst sentimental.

Roderick Dunnett

British dance to the fore

Prudence Skeen on the importance of supporting our modern dance companies

IN Montreal they are preparing for the British dance explosion – it is the main attraction in this year's International Festival de Nouvelle Danse which takes place in October. In Europe British dance has been watched with growing interest. Last year the British Council promoted a two-week season in Brussels, and this year Hamburg is hosting an exposition of British dance which includes workshops, discussions and videos. Frankfurt, Lisbon, Marseilles and Rotterdam are all planning seasons of British dance, and Britain won two of the four sections in this year's International Competition for Dance Videos in Frankfurt.

Such examples of success suggest a significant momentum of interest and one that has gone surprisingly unsung within our shores. Indeed, many of our leading arts correspondents have queried the Arts Council's recent prioritising of the art form.

The names that are exciting audiences around the world are among the most daring and diverse of our contemporary dance companies. They include Jonathan Burrows, Michael Clark, DV8, Shobana Jeyasingh, V-Tol and Lea Anderson's Cholmondeleys and Featherstonehaughs. According to John Ashford, Director of The Place Theatre in London and a prime mover in promoting British dance, it is the variety and unpredictability of our dance artists that fascinates. Our foreign neighbours find "a wealth of curiously provocative work, indicative of the eccentricity of British culture". Perhaps it is this eccentricity which causes us to ignore, even decry, this part of our cultural treasure.

In giving priority to dance in its 1994/95 allocation, the Arts Council is honouring a pledge made in 1989 when it recognised dance as "an emerging and developing art form". Dance has grown up since then, but it still receives barely half of the funding given to drama or music. This is in spite of dance being one of the most expensive forms to produce; the fact that almost all dance companies tour for many weeks each year; and that by its very nature dance is collaborative and provides creative opportunities for musicians, designers and visual artists, TV and video producers; and many of today's composers cite contemporary dance as one of the main conduits for their music. Nonetheless, £20m of taxpayers' money from the Arts Council's allocation goes into supporting dance and the public has a right to know how this amount is spent and how decisions for its distribution are made.

Almost three-quarters (£15.4m) of the Arts Council's dance allocation goes to support four main classical ballet companies: The Royal Ballet, The Birmingham Royal Ballet, English National Ballet and Northern Ballet Theatre. They all tour extensively, with the present exception of The Royal Ballet which is planning to tour more widely in future.

The remaining £5m supports the rest, that diverse and unpredictable wealth of dance that is making such a significant contribution to our cultural credibility overseas. In addition to the companies already mentioned, the rest includes Adzido, Britain's largest African dance company, Rambert Dance Company, London Contemporary Dance Theatre, Green Candle, Siobhan Davies Dance Company, Adventures in Motion Pictures – and seven National Dance Agencies.

This network of agencies was started by the Arts Council in close association with Regional Arts Boards and local authorities in an attempt to promote dance at a more approachable level. Any assumption that this is just another administrative structure is belied by a visit to, say, Dance City in Newcastle or Thamesdown Dance Studio in Swindon, where the atmosphere pulsates with energy, movement, creation and participation. For this is the purpose of the agencies – to provide homes for dance where professional artists can create, perform and teach and where those who wish to participate can do so by attending a wide choice of classes and other activities.

But still a level of public resistance remains. Dance is an elusive, subtle medium, expressing high emotion in disciplined physical form. Classical ballet may have familiar narratives and melodies; its forms and conventions provide a framework for understanding. Contemporary dance, in common with other contemporary arts, sometimes disrupts or ignores "the rules". This may make it controversial and perhaps never more so than when the debate includes funding. Its achievements might be ignored, but its more wayward manifestations make an ideal focus for brickbats.

An element of the Arts Council's dance budget will always be devoted to new work. Some of this will be difficult, will be inaccessible, will be questioned by those who do not understand. Many of us do not understand – nor immediately appreciate – all that we see, but I am reminded of Marie Rambert who, after a lifetime working in classical ballet, was prepared, at the age of 74, to permit her beloved company to be changed into one presenting work in the contemporary techniques at that time coming from America.

As she grew into her 90s she would watch with fascination and approval those works whose aesthetic technique was so different from that in which she had been raised. This was a woman who had witnessed the outcry at the opening of Stravinsky's *Rite of Spring* and had come to see it accepted as a modern masterpiece. Proud as we are of our past, we must be equally caring of our present and nurturing of our future. The new and the strange are not always beguiling, but we would be failing in our duty if we ignored them.

Prudence Skene is Chairman of the Arts Council's Advisory Panel for Dance

Jean Baptiste Mondino

Björk: eclectic mixture of styles

Björk's 'Debut' – live

BJORK'S idiosyncratic vocal style was one of the main reasons why Iceland's contribution to rock music, the Sugarcubes, always remained something of an acquired taste. Yet her first solo record, *Debut*, has proved a surprising success. Its occasional jazzy tinge and off-centred lyrics about pained love, together with the huge sales and Björk's wonderful cheekbones, have even drawn comparisons with Sade, even though their musical styles are utterly different. Björk is in grave danger of becoming the next thinking man's rock crumpet; a fate she does not deserve.

Björk's voice dominates *Debut*. She wrote all the songs and undoubtedly the eclectic mixture of styles – techno, bebop, jazz ballad, reggae and Asian – reflects her tastes. Even so, it is very much a producer's album, the styles blended into a distinctive but consistent whole in the studio by Nellee Hooper who previously produced *Soul to Soul*. Now here was Björk onstage at the Forum on Thursday night for the inevitable showcase concert with a six piece band, most of whom had not played on the album and whose surnames, she said afterwards, she did not know.

As a live show, the evening lacked shape or a sense of the dramatic. Björk ran through the songs from her album and, once she had played them, returned only for the briefest encore. But as a display for those songs it was a success. The inability of a live band, even one with so much technology, to duplicate a sophisticated studio sound helped pick out the different influences, highlight the contrasts between songs and emphasise the muscularity of Bjork's more dance-influenced tunes.

"Human Behaviour" – the hit, the first track on *Debut* and the first song in the show – was propelled by a slinky, club beat. "Venus as a Boy" combined a reggae bass line with flute and the Asian-textured violin of Nawaz Ali Khan. On "The Anchor Song" Björk sings simply over jazz saxophone tootlings. Hippyish curls and wisps of violin and flute or jazzy honks from saxophone and clarinet gave a lighter texture to the powerful background of drums, percussion, bass and keyboards.

Whatever the arrangements and however good the material, she lives by her voice. It is certainly distinctive. At times it is almost gruff, at others it floats up, sharp and penetrating. It is always fragile but has surprising power, although there were times when the band threatened to crush it.

Yet Björk's singing also has its weaknesses. "Like Someone In Love" is constructed and presented like a jazz ballad, sung over keyboards twiddled to imitate jazz guitar. But her phrasing is strangely random, her grip on the melody slippery at best; she does not seem to care, beating the song breathlessly to a paste, with immense charm and personality. The crowd received it with rapture.

Björk's strengths were clear in the last song of the set "Big Time Sensuality", a knowing piece of faux soul, electro meets Stax. Björk barked, swooped and shouted over a braying saxophone and relentless rhythm; a wonderful dance song, a climax to any live show. In front of her, the great mass of the audience stood as if their feet had been superglued to the dance floor, happily lost in Björk's strange territory, drawn to this latest dreamy, sub-poetic woman singer-song-writer.

Peter Berlin

At the Forum Kentish Town. Björk supports U2 at Wembley today and plays at Wolverhampton Civic Hall on September 13 and the Manchester Academy on September 14.

Back to Lake Wobegon

***Antony Thorncroft** reviews Garrison Keillor*

GARRISON Keillor has popped into the Ambassadors Theatre for a few cosy chats (he is there tonight), honing up on the homespun before taking it to the Edinburgh Festival. Keillor is that soft, slow, sweet-voiced Mid-Westerner you hear on Radio Four recounting the quiet excitements of Lake Wobegon, that half real Minnesota town where the clock has stopped in all our innocent childhoods.

On air and in his books Keillor is as composed and cool as frozen yoghurt: in the flesh he is more challenging. He looks harmless enough, like those photographs of a British Rail regional manager you see at stations, but then you notice the red socks and realise that the eccentricity is manufactured.

Although Keillor lives off his re-creation of an idyllic past, where strict Puritan farming families worshipped niceness and perfected politeness and found their pleasures in gospel choirs and the local radio station's blend of farmstock prices and gentle humour, he is actually the outsider, the one who escaped to New York.

He is now quite nasty about the life he left behind, slating it for its narrow mindedness and tedium. It is rather as if Barbara Cartland scorned virginity. We want to believe in these decent folk; we do not want our images over-thrown. Keillor treads a particularly difficult path in rubbishing his sources, because for much of his show he is supported by the Hopeful Gospel Quartet who sing the good old tunes, where the Lord is a firm rock and the Devil gets his deserts.

The music is the strongest feature. It is rare to hear white gospel, much more sentimental than black gospel, and close to country music. It is the joy of the evening. For the rest Keillor seemed uncertain as he brought us the latest from Lake Wobegon, sang some clever songs, and recited old ballads. He can still hit the spot, especially on the advantages of being an uncle over a father in "Uncle New York", and how Bizet was really Duanne from Omaha, but there were signs of nerves and a woeful inability to know when to stop.

Through the airwaves and on the pages Keillor drifts us back into a secure family nest of crumpets and cocoa, with mild plesantries for entertainment. In the flesh our illusions are inevitably shattered.

In memoriam . . .

***Claire Frankel** visits the Holocaust museum*

AT Washington's new Holocaust Memorial Museum I punched in my statistics for a folded and numbered identity card like those the Jews had to carry. It read "Amalie Petranker, born 1930, Stanislawow, Poland: my two sisters and I often attend Jewish community events, despite the undercurrent of tension in Stanislawow. On Sundays, people would even throw stones at us as they go to church."

Amalie – my age and gender – became my emotional companion as I walked through the exhibition, her life updated at various computer terminals. The identity card brought the unimaginable – 11m dead – down to a personal level.

I had not been impressed with the idea of a holocaust museum in America. It felt wrong because the Holocaust did not happen there and a museum would surely be more appropriately located in Europe or Israel. Other Americans disagreed, arguing that many survivors live there; that American troops liberated some of the death camps; that racial and ethnic prejudices are also pretty strong in some parts of the US. And there was the unanswerable fact that in no other country could the required $168m to build and equip the museum have been raised privately.

The two-acre site was given by the federal government. Washington, national repository of monuments and museums with tourists to match, is ideal.

The exhibition starts at the fourth floor and winds down. The visitor is hit at the beginning with a massive photograph of American soldiers, frozen in shock, staring at a pile of still-smouldering corpses at the Ohrdruf camp in Germany. The story of the SS St Louis, its fleeing European Jews not allowed to disembark in Florida, is extensively portrayed. Allied aerial photographs of Auschwitz challenge the then US government's claim that it could not be bombed. A children's Wall of Remembrance features tiles handpainted by American schoolchildren giving their views of the Holocaust.

So why invest in a museum now? I can only answer, nearly 50 years later, if not now, when? Many things set this museum apart. Its "philosophical rationale", stated in the 1979 Report of the President's Commission, was that we have a moral obligation to remember this unique horror and to study "the diseases particular to the 20th century which led to this monstrous aberration". It deals, uniquely with sanctioned, premeditated death, giving over the top floor for study with a 20,000-volume library, photo, film and video archives and a registry of Jewish Holocaust survivors. A learning centre and a teachers resource centre are part of the on-going, mandatory educational programme.

The architect, James Inga Freed of Pei Cobb Freed & Partners, NY, fled Germany at the age of nine and travelled back to the concentration camps and ghettoes for inspiration. He has incorporated some of his strongest memories into architectural metaphors. Guard towers clearly visible from the street evoke Auschwitz; heavy steel bands are reminiscent of those reinforcing the brick of the crematoria; bridges are uncomfortably glass-floored and sided with silk-screened names of obliterated victims; stairs narrow as in the perspective of rails leading to an arch reminiscent of the entrance to Birkenau; an illuminated glass fissure juts across the Hall of Witness like an earthquake.

It is not a comfortable, smooth building – purposely not. At the same time, it is not kitsch either. Freed's reluctance to discuss the imagery has to do with his wish for each visitor to see and take away personal impressions. "The building must disturb as well as invite", says Freed. It confronts. It triggers an empathetic response. Memorial also comforts. The six-sided Hall of Remembrance in the forecourt, with its clear iconography, is at the end of the tour a place for rest, contemplation, perhaps prayer.

The need to personalise has been met with stunning artifacts. You walk on paving stones from the Warsaw ghetto, through one of the transporting boxcars, across a bridge from the Loldz' ghetto which separated the "contaminating" Jews from other people. You sit and listen to survivors talk about a day in Auschwitz, adjoining a barracks complete with original bunks. Particularly memorable is a three-storey room, entirely covered with 1500 photographs collected by a survivor of the Polish village of Ejszyszki, founded in the 11th century. It was entirely wiped out in two killing days by the Nazis in 1941. The faces are ordinary, of people living in a community, feeding chickens, getting married, having a picnic.

When I left the museum, I punched in my ID. Amalie Pertranka died in Treblinka concentration camp in 1943.

The Edinburgh Festival

What a cultural mix!

***Alastair Macaulay** on the work of Mark Morris and Peter Sellars*

THE opening week of this Edinburgh Festival gives us a chance to compare the work of two of the most talked-of young American theatre people of our time – the choreographer Mark Morris and the director Peter Sellars. They have collaborated on three opera productions, and they have much in common. However, their differences have become increasingly apparent, and it is time to compare and contrast.

What do they have in common? Both are in their 30s; are smart guys; give good interview copy to journalists; endorse multiculturalism; oppose American cultural imperialism; use baroque or modern or Asian music; like to mix high and low culture; employ irony a lot. In their theatre work, both like to take something period and set it in the present day. (For those who cannot make it to Edinburgh, TV has already illustrated this. Anyone can see the resemblance between Peter Sellars's versions of Mozart's *Così fan tutte*, set in an American diner, and Mark Morris's *The Hard Nut*, which transposes Tchaikovsky's *Nutcracker* to an 1960s American nuclear family.)

Talk to people about Sellars, and sooner or later they say "But he talks so well." (Morris is a hilarious loudmouth whose indiscretions have often got him into trouble.) Sellars has a knack for saying what goes down well with liberally-minded audiences. A favourite theme of his is multiculturalism; in particular, he sings the praises of the cultures of the Pacific Rim (as opposed to tired old Eurocentric culture). But his work shows that he has only one subject: his own highly American form of cultural self-hatred.

Sellars exemplifies American political correctness at its most crass. He is anti-Eurocentric, anti-paternalist, anti-imperialist. Is he pro-anything? Nothing that he can express. He certainly isn't pro-Mozart or pro-Aeschylus; he changes them right, left and centre to suit his anti-American thesis. Take his current version of poor Aeschylus's *The Persians*. Once I heard he was going to present it, I knew he would set it in Baghdad after the Gulf War; and he did. But who would have thought he or his "translator," Robert Auletta, would have the nerve to call the Greeks of 480 B.C. "the most arrogant people in the world" (i.e. Americans)? In 480 B.C., the Greeks were not even a nation.

It is revealing that Sellars is not interested in bringing out any Persian/Iraqi characteristics in Xerxes/Saddam, who turns out to be the most crudely American person onstage. To him, Xerxes and Themistocles, Saddam and Bush are just the same (except that Bush is worse). Sellars may preach multiculturalism, but he practices monoculturalism. True, he squirts on a few bits of Indian/Javanese movement exotica onto other characters, but they are fake – just addenda to keep up his p.c. credentials.

It is also revealing that he tries to make Xerxes/Saddam a justifiably Oedipal type. So I (Xerxes) did some bad things? Dad (Darius), it's *your* fault because you never showed me any love; though actually I thank you, because you made me brutal. But, Mom (Atossa), you always loved me, so the feeling's mutual. (Aeschylus did not even have mother and son onstage together – he probably had them played by the same actor. Sellars has them end the play in a protracted silent loving clinch.)

All of which might be tolerable or stimulating if only Sellars made it lively. But *The Persians* is very, very boring, and it reveals something that has been too little mentioned: that Sellars's sheer stagecraft is crummy and his actors act lousily. (I have seen Greek tragedies *in Greek* that were far more absorbing than this – much shorter, too.)

Alastair Muir

Martinus Miroto in Peter Sellars' production of 'The Persians'

Sellars is a conceptualist with only one concept. What he does to *The Persians* is the same formula he applied to Mozart and to *The Death of Klinghoffer*. (It's so predictable that La Gran Scena, that travesty opera group, now does a "Peter Sellars" version of the final scene of *Der Rosenkavalier* – set in a shopping mall.)

This is the reverse of Mark Morris, whose work is full of obvious structural virtuosity, vivid demonstrations of the possibilities of stage space, multiculturalism so profound that he has made whole dances in different folk styles, and (in other dances) has fused them. Almost the only predictable thing about his work is his way of making heterosexuality and homosexuality so equal that there seems to be no difference between them. Much of his work is about love; and most of it is ultimately affirmative. He is both p.c. and unAmerican in several ways, but has also celebrated several aspects of American culture.

Often he sets a work in the present day, but sometimes – witness his 1991 Brussels staging of Mozart's *Figaro*, or his new dance, *A Spell* – in period; and his musicality, with its strange blend of irony and fidelity, is the least predictable thing of all. Both Sellars and Morris love various kinds of gestural sign-language, but Sellars' use of it is incompetent in terms of theatrical legibility or dynamics. If you went from Morris's *Dido and Aeneas* to Sellars's Glyndebourne *Magic Flute*, both choc-a-bloc with gesticulation, you could see how like and unlike the two men are; and that Morris is the artist that Sellars would like to be.

Peter Sellars's version of *The Persians* ends its run at the Lyceum with two performances today; Mark Morris's second programme, of British premieres, runs at the Meadowbank Stadium until Monday

Schiff hits the right note

***Richard Fairman** finds that Schubert and Janáček have a singing lyricism in common*

THE MUSIC side of the festival is starting to get some mileage out of its Schubert and Janáček theme. Both composers explored some of their most personal feelings in their chamber music and the morning recitals at the Queen's Hall are invariably among Edinburgh's rewarding events.

That is certainly how it seemed on Wednesday, when András Schiff gave a programme drawn from the two composers' piano music. In this area, as in every other, it is the differences between them that seem obvious. Schubert left his most important work in the piano sonatas, Janáček in freer pieces. Schubert asked classical forms to shoulder structures of enormous architectural breadth and power; Janáček's thoughts occur in short, sudden, immediate bursts.

Out of these extremes Schiff's playing revealed with unexpected clarity one progression of thought which the two do have in common. Each has a singing lyricism at his heart, in Schubert derived from song, in Janáček from opera and his fascination with the sounds and rhythms of human speech; but both are led by the very intensity of their music to climaxes which are insistent, forceful, even violent.

Schiff is not a Viennese interpreter of Schubert who sets out to make the music charm. In the E flat Sonata there was no question of him giving way to temptation and loosening the rhythms so that they went with a smile and a popular dance-like lilt. His playing was sensitive, but straight-laced. For the late, much greater C Minor Sonata he aims for as wide a scale as the music can bear, taking it from barely-voiced lyrical moments to a fierce attack on the climaxes. A lack of affection is less of a drawback here and the performance attained an impressive stature.

His Janáček was the Piano Sonata (other major pieces were to follow on Friday). Extremes of expression are built into this score, written in the heat of patriotic rage after a young Czech worker was killed by troops loyal to the German authorities. Schiff is quick to react, communicating both its pain and its heartfelt sympathy. For the music of both composers he has proved the festival's first top-class advocate so far.

It is difficult to say which was missed most the next morning at the Queen's Hall: Schiff's ability to say exactly what he wants or his ambitions for the music. The Gould Trio, prizewinners in the UK, Holland and Australia, in fact lauded round the world, followed him with a mixed programme of Janáček and Schubert chamber music, including the Czech composer's Violin Sonata and the Austrian's best-known Piano Trio (in B flat).

There was nothing sub-standard about the way they played any of the items, but the power of the music had been diluted. In the Schubert Trio phrases continually asked to stretch, breathe and be filled with expression, but they went for little. The three musicians, technically very able, well balanced, with a good sense of style, need to take the next crucial step. Be daring! – let the power of Schubert's and Janáček's inspiration release those inhibitions.

Scene from 'Aladdin', Disney's latest offering following its success in 1991 with 'Beauty and the Beast'

Screen

All animated about fairy tales

***Tim Burt** discusses Disney's plans to reinvigorate the cinema cartoon*

THE RENAISSANCE started with a rabbit called Roger. Although a little slow and rather clumsy, Roger has reinvigorated the world's appetite for an art form that 10 years ago was said to be facing extinction – the cinema cartoon.

Who Framed Roger Rabbit?, released by Touchstone in 1988, won critical acclaim and a couple of Oscars; more importantly, it grossed $154m and persuaded Walt Disney, the US entertainment group, there was money in feature-length animated films.

Disney, concerned at the losses on its theme park investment in Europe, has decided to increase production of its profitable feature films. In the past, movies were released at a rate of one every three years; that gap narrowed last year with *Aladdin*, Disney's latest offering, following the success in 1991 of *Beauty and the Beast*. The company now to plans to produce two feature-length animated films a year and is banking on European expertise to help draw them.

The US company regards Europe, and London in particular, as a centre for excellence in modern animation. So the skills which first gained international recognition with the antics of *Roger Rabbit* are now being actively pursued by the most famous studios of them all.

A senior executive from Walt Disney this week arrived in London to recruit artists for a new generation of animated films. Unlike classics such as *Snow White and the Seven Dwarfs*, these productions will not be years but months in the making. Max Howard, vice president of Walt Disney Animation in Florida, thinks European animators are the ones to make it happen.

Walt Disney, he says, is keen to produce more animated features because, against all the expectations of the early 1980s, they are proving wildly popular. Attracted by the new dimensions of *Who Framed Roger Rabbit?* – the first widely-distributed feature to use computer technology – cinema audiences have flocked to see *Beauty and the Beast*, which grossed $147m in the US and £94m in the UK.

In *Aladdin*, due to be released in the UK later this year, one of the characters is entirely computer driven. A magic carpet – hand drawn and then committed to a computer's memory – moves around the screen in a way few artists could emulate. It turns and twist in three dimensions, offering the directors camera angles which where previously only available to live film features.

Howard, who ran the Walt Disney studio in London where *Roger Rabbit* was made, believes computers now allow an audience to enter the world of the cartoon characters. That faith has paid off handsomely. *Aladdin* has grossed more than $212m in the US and Walt Disney expects that figure to double after its international release.

Audience demand for such special effects has been a major catalyst for Disney, which intends to employ some of Britain's best animators on future productions such as *The Hunchback of Notre Dame* and *Pocahontas*, both scheduled for release in 1995. There has also been a lucrative spin-off for other UK talent including lyricist Tim Rice, who is currently working on *The Lion King*, Disney's animated African tale, along with actor Jeremy Irons and rock star Elton John.

At the company's studios in Glendale and Orlando, however, the contribution of these famous names pales against that of James Baxter, a London art school graduate recruited by Disney after working on *Roger Rabbit*. Baxter went on to create Belle, the feisty heroine of *Beauty and the Beast*.

The US group's willingness to import overseas talent, however, masks a growing frustration in the UK that there are no backers willing to underwrite a home-produce animation feature. Richard Williams, the creator of *Who Framed Roger Rabbit?*, has failed to complete his long-awaited *Thief and The Cobbler* and has returned disillusioned to his native Canada.

Only on television, where Channel Four and SC4 in Wales have invested heavily in animation, is there a growing market. But even so, many independent producers feel acclaimed outside the UK and ignored at home. David Sproxton, co-director of Aardman Animation in Bristol, which last year won an Oscar for best animated short film, says, "The fact that Disney can come here reflects that we do not have resources. We have skills and ideas but not finance." He fears that overseas studios are snapping up UK animators because there is not enough work at home. Without substantial financial backing, he predicts most animation studios will go on doing what they do best – making TV commercials.

At Disney, Max Howard admits that funding has been the main brake on UK animation but suggests that the industry may also have been hindered by the stories it decided to bring to the screen. Walt Disney is not taking that kind of risk. It plans to serve up more favourite dishes – fairy tales and fables. Howard says the productions coming across the Atlantic now contain fewer spoonfuls of sugar than in the past, but Disney is determined to pour in enough syrup to keep hold of its biggest audience, the young teenagers.

"Great quality animation won't make a film a success," he says. "Look at *Aladdin* or *Beauty and the Beast*. There has been a renaissance, but it's still about finding the right stories to tell."

Radio/**B.A. Young**

After the coal face

MINERS (Radio 4, Tuesday) was the second of three programmes about four young men made redundant by the closure of their pit, Houghton Main, "the focal point" of Darfield village in Yorkshire, where they live. Each has some £20,000 redundancy money but, as they tell the presenter, Allan Beswick, don't want to invest in stocks and shares or start a new business. At the moment, three have work, salvaging or under contract at nearby pits, not likely to last long; the third has an injured thumb.

Their wives are more talkative than they, with notions about Range Rovers and starting a new business, so that in two months their men could have nice white hands; spending priorities, modest enough for people with £20,000 or so in hand, are holiday, car, redecorate the bedroom. The men, who have never known anything but mining, find nothing else interesting and anyway are against risks. "I hate the dole office," one said; asked what wages he would expect, he entered "£210 a week," what he was used to. "I'd rather give the money back and be my own man," was typical. "I'm not proud of the industry – they can do what they want, I'm not bothered."

On Thursday, Radio 4 dealt again with current problems in *The Enemy Within*. Presented by Marek Kohn, about drugs, but historical rather than critical. There were references to Police-Sergeant Lyle and jazz drummer Flash Winston in the 1950s (who they?); but before them we went back to Coleridge, de Quincey and others who used laudanum, including Gladstone and Mrs Beeton. The 1868 Pharmacy Act boosted the "opium dens"; then we turned to fiction, with a reading from *Dorian Gray* and a sketch of Dr Fu Manchu. Marijuana became more prevalent after the end of the 1914-18 war, with Club Eleven (Winston's joint) notorious. Some black immigrants retained theit accustomed habits. Of inside knowledge of current drug usage, hardly a word; any day's broadsheet newspaper will probably tell more.

It isn't likely that Radio 1 FM was influenced by Plato's *Symposium* on Radio 3 last Sunday, but on Monday it had the first *Loud and Proud*, a programme dedicated to gays and lesbians – I use the current words as in the programme. I heard the first quarter-hour, but felt the atmosphere too private, mates swopping their own affairs. We were told the best places in Glasgow for pick-ups (though Paulette, the presenter, is a Manchester girl), and how you could distinguish your targets. A teacher said he reckoned one schoolchild in ten was potentially gay; it was proposed that sex education in schools should include the question. I dare say a fair number of gays and lesbians listened, out of curiosity if nothing else, but apart from the tips to likely scenes they would not have found it very helpful, still less amusing.

How many listeners to *Loud and Proud* heard Radio 3's Sunday play, *The Leftover Heart* by Andrew Alty? It has a similar theme, but used in a more less frivolous way. Its hero, Tom, is based on Tennessee Williams; he is a successful writer, lives on booze and tablets, has a craving for young men, and a sister, Rose, in a home for the insane. The family details are like those that are known; the fiction woven around them is simple. Tom is visited in a Chicago hotel by Johnny, a young man from a dating agency, who reveals that, 20 years before, Tom had slept with his mother in Kansas City, that they are, in fact, father and son.

Tom decides to quit writing, to settle down with Johnny, to sack his long-established secretary Vi (a man). But guilty recollections of poor mad Rose, interpolated as anachronistic interludes, are too hard for him; and Vi persuades Johnny that his hopes will prove optimistic. So Vi is back, Johnny is out, and Tom is writing again. Not a very convincing tale, and only moderately played under Miriam Segal's direction.

Chess No 988: 1 Bh5 Kxh4 2 Qf3 Kxg5 3 Qg4 mate. If 1...Kh3 or h2 2 Qf3 and mate at g2 or g4.

TELEVISION

SATURDAY

BBC1

7.00 Ceefax Pages. 7.25 News. 7.30 Pinocchio. 7.50 The All-New Popeye Show. 8.10 McGee and Me. 8.35 Peter Pan and the Pirates. 9.00 Parallel 9. 10.27 Weather.

10.30 Grandstand. Introduced from London by Steve Rider, and Stuttgart by Desmond Lynam. Including at 10.35 World Championship Athletics: The finals of the women's 10,000m, men's shot putt, women's high jump, men's 50km walk, and women's triple jump. Commentary by David Coleman, Stuart Storey, Paul Dickenson and Brendan Foster. 10.55 Cricket: Sixth Test. England v Australia in the third day's play from The Oval. 1.00 News. 1.05 Football: Bob Wilson and Jimmy Hill look back at the week's Premiership action. 1.40 Cricket. 3.00 Golf: The English Open. 4.40 Final Score. Times may vary.

5.10 News.

5.20 Regional News and Sport.

5.25 Athletics: World Championships. Further coverage from the penultimate day of events in Stuttgart. After Linford Christie's heroic win in the 100m final, can any other British athletes claim gold in the closing days of this showcase event?

6.30 Film: Flight of the Navigator. A 12-year-old boy is abducted by an alien spacecraft and returned to Earth years later – not a day older. Children's SF adventure, starring Joey Cramer, Veronica Cartwright and Cliff De Young (1986).

8.00 Birds of a Feather. Comedy, starring Pauline Quirke and Linda Robson.

8.30 The House of Eliott. The Spring Collection's success allows the sisters to expand their business horizons. Stella Gonet and Louise Lombard star. Last in series.

9.20 News and Sport; Weather.

9.40 Spender. The Geordie detective meets a childhood hero while investigating a case of blackmail. Starring Jimmy Nail.

10.35 Match of the Day. Action from two top games in the FA Premiership, on the day when Sheffield Wednesday play Arsenal, Leeds play Norwich, and Manchester Utd take on the newly promoted Newcastle.

11.35 Cricket: Sixth Test. England v Australia.

12.15 Film: Easy Prey. True-life drama about a psychopath who abducts a teenage girl. Starring Gerald McRaney (TVM 1986).

1.50 Weather.

1.55 Close.

BBC2

6.40 Open University.

3.00 Cricket and Golf. Cricket: Sixth Test. Live action as England take on Australia in the third day's play from The Oval. Golf: The English Open. Coverage of the third round from the Forest of Arden Golf and Country Club.

6.30 Athletics: World Championships. Desmond Lynam introduces live action from Stuttgart. Including at 6.35 3,000m Steeplechase Final: Will favourites Kenya achieve their third victory in a row? 6.55 Women's 4x400m First Round. 7.15 Men's 4x400m First Round: Can reigning champions Britain retain their crown?

7.45 Small Objects of Desire. The history of the lightbulb, an innovation whose design has remained virtually unchanged for 100 years.

8.05 News and Sport; Weather.

8.20 Rhythms of the World. Film-maker John Cohen profiles poor manual workers in the Peruvian capital of Lima, who use folk music as a means of affirming their cultural identity and maintaining links with their home villages in the high Andes. The programme exposes harsh conditions in the shanty towns of Lima, and shows the workers' adaptability and resilience in perpetuating their traditions.

9.00 Teenage Diaries. A video insight into the life of a Newcastle teenager whose ambition is to travel the world as a professional surfer. When an invitation to compete in South Africa arises, Gabriel Davies leaves his A-level studies behind and heads for sun, sand, surf – and many new experiences.

9.50 Nice Town. Gwyneth Strong and Philip Davies play Linda and Paul, a couple whose efforts to start a family seem doomed to failure. Could Paul's virile brother provide the solution to their dilemma?

10.45 Film: Mishima. Biopic of the controversial Japanese writer Yukio Mishima, whose obsession with Samurai ethics led him to stage an ill-fated military coup in 1970, culminating in his ritual suicide. The film includes dramatisations of Mishima's novels and plays. Starring Ken Ogata (1985) (English subtitles)

12.40 On the Air. Panic ensues at the station when a senile magician forgets his tricks – can Bud find a replacement in time? Comedy, starring Miguel Ferrer.

1.10 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Opening Shot.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 Movies, Games and Videos. A review of Hots Shots: Part Deux, starring Charlie Sheen.

1.40 The Big Valley. Violence breaks out among the townspeople when the Barkleys sell their land. Barbara Stanwyck and Linda Evans star.

2.40 Sky High. Part two. Two boys learn to fly a World War One plane. Children's drama, starring Damon Martin and Wes Hansen.

3.30 WCW Worldwide Wrestling. Ringside action with the American giants.

4.15 Cartoon Time.

4.40 ITN News and Results; Weather.

5.00 London Today and Sport; Weather.

5.10 Cartoon.

5.20 MacGyver. The adventurer infiltrates a guerrilla camp to rescue a wounded friend who is held hostage. Richard Dean Anderson stars.

6.15 What You Lookin' At? Mysterious disappearances are the order of the day when Elaine goes missing – along with Colin's dog.

6.45 Beadle's About. Highlights.

7.30 The Upper Hand. Joanna's choice of school proves controversial, prompting a fresh round of bickering between Charlie and Caroline. Starring Joe McGann and Diana Weston.

8.00 The Bill. WPc Page faces an ethical dilemma when she witnesses a senior officer planting drugs on a suspect. Should she turn a blind eye, or report the incident to her superiors?.

8.30 Film: The Final Heist. A former art thief's daughter is kidnapped in an attempt to force him to steal a priceless painting. Thriller, starring Jan-Michael Vincent, Gabrielle Lazure and Michael Sinelnikoff (TVM 1991).

10.15 ITN News; Weather.

10.30 London Weather.

10.35 Film: Marilyn and Me. Biopic of legendary sex goddess Marilyn Monroe, told from the point of view of her second husband Bob Slatzer. Starring Susan Griffiths, Jesse Dabson and Joel Grey (TVM 1991).

12.20 The Big E.

1.20 Get Stuffed; ITN News Headlines.

1.25 It's Bizarre.

2.20 Get Stuffed; ITN News Headlines.

2.25 New Music.; Night Shift.

3.30 Night Heat.

4.25 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 Sumo. 12.30 pm Kasak. (English subtitles)

1.05 A Midsummer Night's Dream. Czechoslovakian Jiri Trnka's animated puppet version of the Shakespeare play. Featuring the voices of Richard Burton and Barbara Jefford.

2.25 Right Person. A honeymooning bride is visited by a mysterious stranger who begins to probe her husband's past.

3.00 Racing from Sandown. Coverage of the 3.10 Unifilla Stakes, 3.40 Heart of Showbusiness Stakes (H'cap), 4.15 William Hill Stakes (H'cap), and the 4.45 Texas Homecare Stakes (H'cap). Introduced by Derek Thompson.

5.05 Brookside.

6.30 Opening Shot. Stan Lee, chairman and creative force behind the Marvel Comics empire for the last 50 years, discusses the integral role played by comic book heroes in American cultural life.

7.00 The World This Week. The Ukraine is the biggest democracy in eastern Europe, but with hyper-inflation, nuclear weapons and a festering dispute with Russia, could this situation be a conflict waiting to happen?; News Summary.

8.00 Best of Cutting Edge. Documentary following a frantic 36 hours in the casualty department of Hackney's Homerton Hospital, where patients range from an alcoholic to a man suffering from multiple stab wounds.

9.00 Vic Reeves' Big Night Out on Tour. Vic Reeves and Bob Mortimer present a live performance from the City Hall, Newcastle. Like a whirlpool, it never ends, and there's no point in explaining why Les has a terrible fear of chives, nor why the Man with the Stick may or may not reveal his secret.

10.05 The Big One. Comedy, starring Sandi Toksvig and Mike McShane.

10.35 Film: Europa. A naive young American uncovers a mystery while visiting post-second world war Germany in search of his roots. Premiere of Lars von Trier's surreal political thriller, starring Jean-Marc Barr, Barbara Sukowa, Udo Kier and Eddie Constantine (1991).

12.40 Film: Strangers on a Train. Classic Hitchcock thriller, starring Robert Walker as a charming psychopath who suggests to a fellow train-passenger that they commit murder on behalf of each other. With Farley Granger and Leo G Carroll (1951).

2.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Cartoon. 1.15 Worldwide Wrestling. 2.00 The A-Team 2.55 The Death Train. (1977) 5.00 Anglia News and Sport 5.20 Baywatch. 10.30 Anglia Weather.

CENTRAL:
12.30 Movies, Games and Videos. 1.05 Central News 1.10 COPS 1.35 Nigel Mansell's IndyCar '93. 2.05 Biggin Hill International Air Fair 1993. 3.00 The A-Team. 3.55 WCW Worldwide Wrestling. 5.00 Central News 5.05 The Central Match – Goals Extra. 10.30 Local Weather.

CHANNEL:
12.30 The Munsters Today. 1.05 Channel Diary. 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 Hardcastle and McCormick. (1983) 3.55 WCW Worldwide Wrestling. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.

GRAMPIAN:
12.30 Cruinne-Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Tomas Tonteach 'S A Charaidean. 1.45 Police News. 1.50 Movies, Games and Videos. 2.20 Nigel Mansell's IndyCar '93. 2.50 The A-Team. 3.55 WCW Worldwide Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 5.10 Cuirm Cloinne. 10.30 Grampian Weather.

GRANADA:
12.30 Crown Green Bowling. 1.05 Granada News 1.10 Kick Off. 1.40 Granada Sport Action. 5.00 Granada News 5.05 Goals Extra. 5.20 Baywatch.

HTV:
12.30 Movies, Games and Videos 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 Get Wet. 2.40 McCloud: Lady on the Run. 4.30 Cartoon. 5.00 HTV News and Sports Results 10.30 HTV Weather.

MERIDIAN:
12.30 The Munsters Today. 1.05 Meridian News. 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 Hardcastle and McCormick. (1983) 3.55 WCW Worldwide Wrestling. 5.00 Meridian News.

SCOTTISH:
12.30 Movies, Games and Videos. 1.05 Scotland Today. 1.10 Telefios. 1.40 Abair Spors! 2.10 Animal Country. 2.40 Cartoon Time. 2.55 King of the Grizzlies (1970) 5.00 Scotland Today 5.15 Live - The World's Greatest Stunts. 5.45 Fantastic Facts! 10.30 Scottish Weather.

TYNE TEES:
12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The A-Team. 2.05 Stormin' Home. (TVM 1985) 3.45 McCloud: The Man With the Golden Hat. 5.00 Tyne Tees Saturday

ULSTER:
12.30 SUS 1.05 UTV Live News and Sport 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 Movies, Games and Videos. 2.40 The A-Team. 3.35 Cartoon Time. 3.55 Wrestling. 5.00 UTV Live Early Evening News. 6.05 Saturday Sport. 10.30 UTV Live Headlines

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 Westcountry Weekend Latest. 1.10 Follow Me Boys. (1966) 3.40 Nigel Mansell's IndyCar '93. 4.10 The Mountain Bike Show. 5.00 Westcountry Weekend Latest.

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The A-Team. 2.05 Stormin' Home. (TVM 1985) 3.45 McCloud: The Man With the Golden Hat. 5.00 Calendar News.

SUNDAY

BBC1

7.00 Ceefax Pages. 7.30 Wiz Bang. 7.40 Pigeon Street. 7.55 Playdays. 8.15 Breakfast with Frost. 9.15 Summer Sunday. 10.00 Student Choice 93.

BBC2

6.40 Open University. 9.10 System 93. 9.35 Teenage Mutant Hero Turtles. 9.55 Jonny Briggs. 10.10 Rugrats. 10.35 Grange Hill. 11.00 FOT. 11.25 What's That Noise? 11.50 The O Zone. 12.05 pm

LWT

6.00 GMTV. 9.25 Heidi. 9.50 The Littlest Hobo. 10.15 The Mountain Bike Show. 10.45 Link. 11.00 Morning Worship. 12.00 Life and Soul. 12.30 pm Cobblestones, Cottages and Castles.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 Owl TV. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:

RADIO

SATURDAY

SUNDAY

CHESS

AUGUST is the busiest tournament month of the year for many chess experts. Antwerp and Dundee have just ended and Berlin is starting.

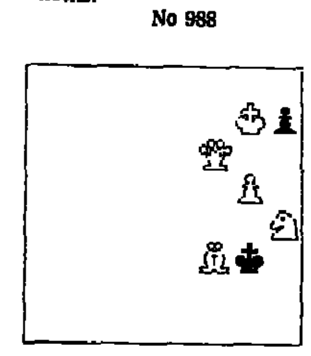
This afternoon London's international open, the £8,000 Lloyds Bank Masters, starts at the Cumberland Hotel, Marble Arch, with 19 GMs led by Michael Adams. Play is 1pm-7pm daily until August 30, and admission £3 (£1 after 4pm).

Peter Wells, a rising young IM, had a career-best result when he won first prize at Antwerp, ahead of a squad of ex-Soviet GMs who took the next 11 places. Wells has written a booklet, *Beating the Grunfeld with 8 Rb1*, and he did just that in the final round (P Wells, White; G Kuzman, Ukraine, Black; Antwerp 1993).

1 d4 Nf6 2 c4 g6 3 Nc3 d5 4 cxd5 Nxd5 5 e4 Nxc3 6 bxc3 Bg7 7 Nf3 c5 8 Rb1 0-0 9 Be2 Nc6 10 d5 Ne5 Accepting the gambit by Bxc3+ is risky. **11 Nxe5 Bxe5 12 Qd2 e6 13 f4 Bc7** If Bg7 White attacks by c4, Bb2 and exchanging bishops. **14 0-0 exd5 15 exd5 Ba5?** Better Rb8 first, not allowing White's reply. **16 d6! Rb8 17 g4 Bd7 18 f5 gxf5 19 Bd3!** Launching the decisive attack, for fxg4? loses to 20 Qh6.

Kh8 20 Bxf5 Rg8 21 Bxd7 Qxd7 22 h3 f5 23 Bb2 c4 24 Qd4+ Rg7 25 Bc1 b5 26 Qf6 Bb6+ 27 Kh2 Bc5 28 Bf4 Re8 29 Rbe1 fxg4 30 Rxe8+ Qxe8 31 Be5 Resigns. After g3+ 32 Kg2 Qb7+ 33 Rf3 Black runs out of checks.

No 988



White mates in three moves against any defence (by Pal Benko, 1993). US GM Benko likes to create letter problems, and this is in the shape of an S, one of a series to honour the US Open.

Solution Page XVI

Leonard Barden

BRIDGE

TODAY'S hand, which occurred in a teams-of-four event, caused a large swing. Learn the lesson of This Flower Safety:

	N	
	♠ A J 4 ♥ K 3 ♦ K J 5 4 ♣ A Q 7 2	
W ♠ 9 8 6 3 ♥ 10 9 8 5 4 ♦ 3 ♣ K 6 4		**E** ♠ 10 5 2 ♥ J 7 6 2 ♦ Q 10 8 7 ♣ 5 3
	S ♠ K Q 7 ♥ A Q ♦ A 9 6 2 ♣ J 10 9 8	

South was dealer with both sides vulnerable. In room one South opened with one diamond, North forced with three clubs, South raised to four clubs and North said four diamonds. South introduced a Blackwood four no trumps, North replied with five hearts, and South ended the auction with six no trumps.

West started with the heart ten. Taking in hand with his queen, declarer at once played his knave of clubs, West covered with the king, and the ace won. Cashing the rest of the clubs, on which West threw one heart and East two, South cashed his ace of diamonds and followed with the two. West showed out. Declarer was faced with two inescapable losers, and went one down.

In the other room South opened with one no trump (16-18) and North bid six no trumps to end the brief auction.

West again led the heart ten, taken by the queen. After picking up the club king and cashing the rest of the suit, South, needing three diamond tricks for contract, showed excellent technique in using a safety play. He cashed dummy's diamond king, crossed to hand via the spade queen and led a low diamond. West showed out, and dummy's knave lost to East's queen. South won the heart return, crossed to the ace of spades, returned a diamond, and scored his ace and nine.

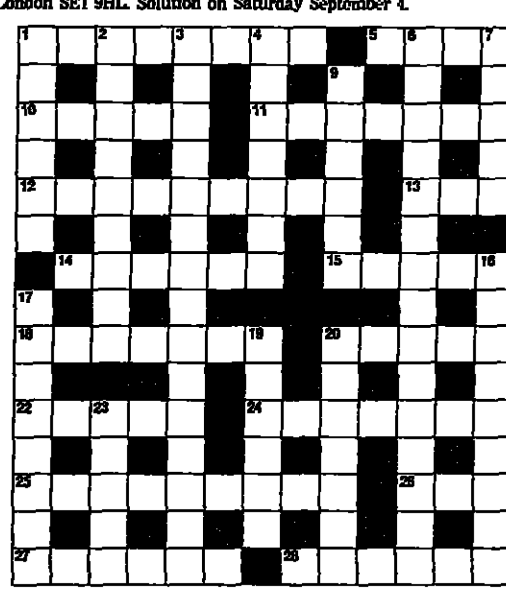
"Suppose West has the four diamonds," you say, "what then?" In that unlikely event when South leads a low diamond to the knave, West can score his queen, but nothing else.

E P C Cotter

CROSSWORD

No. 8,234 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday September 1, marked Crossword 8,234 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 4.



ACROSS

1 Slaughter is a family business (8)
5 Growing a beard? Apply pumice (6)
10 Inflammation of throat to turn into expansion of gullet (5)
11 Tuner producing black smoke? (5,4)
12 Repair a town? This is romancing (9)
13 Musical piece for the proper authority (5)
14 Faster way to subject to bombardment (6)
15 Access for straight type to succeed at all costs (2-2-3)
18 Utterly defeat a counter-revolution (7)
20 Island to acquire for nothing .... (6)
22 .... smaller one already has a tenant (5)
24 A fishy number, we hear, to be conductor (9)
25 Snub in relation to most of bride's clothes (9)
26 Division of class, says the Speaker (5)
27 Red nag showing red flag? (6)
28 How old wolves are presented? (8)

DOWN

1 Grow into suit (6)
2 .... so many of these, in addition (3,3,3)
3 Novelist Sir Anthony versus comedian Bob? Pray for a miracle (4,7,4)
4 Theatrical headgear for mugger, for example (7)
6 Angler and shepherd work however they possibly can (2,4,2,2,5)
7 Quick drink about four (5)
8 Happy about even half of high line (8)
9 Remained with support (6)
16 Competition that might finish with setter in Labrador? (3,3,3)
17 Carpet fixer composing street song on perch (5,3)
19 Meredith's work, for example, is to change (6)
20 Clothing fabric effectively starts up during leave-taking (7)
21 Prophet and journalist get angry (3,3)
23 Language for translating (5)

Name..

Address..

Solution 8,233

Solution 8,222

Despatches/**Stefan Wagstyl** in Ranthambhore

Poachers close in on the tiger

India is home to two-thirds of the world's tigers. From 1973 to 1989 numbers doubled. But the poachers have returned and extinction again looms

PROTECTING the tigers of Ranthambhore, India's best-known wildlife reserve, almost cost Devi Singh Rathore his life. The 24-year-old forest guard was shot in the head, face and shoulder by a suspected poacher who fired at his Jeep with a shotgun. The guard sitting next to him took the full force of the blast and died instantly. A third man in the back of the vehicle was also killed and a fourth was injured.

"What happened was terrible." says Rathore, wincing from the pain of the two pellets which are still lodged in his body. "If this carries on it will be impossible to save the tigers."

The guards were attacked last April after being called out to track suspected poachers on the edge of the Ranthambhore reserve in the hot sandstone hills of southern Rajastan. After three days travelling from village to village in search of information, they stumbled across three men camping in a makeshift tent. They arrested two, but the third escaped.

On the way to back to their HQ, the guards stopped for a meal and a rest. The delay proved fatal. The escaped poacher had got ahead of the guards and, knowing the road they would have to take, had laid an ambush. Choosing a steep-sided gorge, he rolled rocks into the road and hid behind the trees. When the Jeep arrived, the poacher opened fire with a crude muzzle-loading shotgun. Police later arrested a man and charged him with murder.

Poachers have long been active in India's reserves, hunting tigers, leopards and other cats for their fur and small animals for meat. Most have been villagers living near parks with few other means of support.

In the 1970s and 1980s, India had great success in protecting tigers through a national campaign called Project Tiger, launched in 1973. From one year to the next the numbers of Indian tigers went up.

From about 2,000 in 1973, India's tiger population rose to 4,300 by 1989, out of an estimated world total of 6,000-7,000. Over the same period, *India's human population* rose by 60 per cent and the economy doubled in size. India's experience seemed to prove that even in a poor and over-populated country, protection of the environment and economic development were not incompatible.

Ranthambhore, the beautiful former hunting preserve of the maharajahs of Jaipur, achieved particular fame because its tigers forsook traditional habits and became active during the day – supposedly because they now felt safe from man. The park, with its ancient forts, Moghul pavilions and lakes, attracted plenty of tourists.

Willie Ryan

It was not until last year that conservationists realised that something was seriously wrong – when reports indicated alarming declines in the numbers of tigers at India's leading national parks.

At Ranthambhore, the tiger tally dropped from 45 in 1991 to 17 last year, though the figure was revised this year to 28. For wildlife experts *the conclusion seemed inescapable:* tigers were disappearing so fast that their survival was at stake.

Experts were quick to identify the origin of the new threat – an upsurge in demand for tiger bone for Chinese medicine. Chinese apothecaries believe tiger bone has the power to restore energy and sexual prowess. Factories in China, Taiwan and South Korea produce tens of thousands of bottles of tiger bone medicine for sale in east Asia and in Chinese communities around the world.

Conservationists say these factories have in the past used bone from Chinese tigers, including a vast stock which was accumulated when over 1,000 tigers were hunted and killed as pests in the 1950s in southern China.

In the last few years this stock seems to have run low, just at a time when fast economic growth has created millions of new customers for tiger bone medicine. The *trade is quite open. Until recently* apothecaries in Tihwa Street in Taipei displayed tiger bones in their windows, selling at a retail price of up to $1,500 per kilogramme.

The Huangshi Long March pharmaceutical factory in Hubei province, northern China, puts a tiger emblem on its packets of musk and tiger-bone plasters for use in treating rheumatism.

The first evidence of tigers being killed for their bones in India came in 1987 when poachers operating in the foothills of the Himalaya, in Uttar Pradesh, were found to have discarded a skin. Proof came last year at Ranthambhore when a local poacher named Gopal Mogya and an accomplice, a meat trader, were caught on the edge of the park carrying a gun and a bag of bones.

The police say that Mogya confessed to selling bones and skins to a butcher in the nearby town of Sawai *Madhopur. In turn, the butcher said* he supplied Mohamed Ashiq and Mohamed Ahmed, two brothers who own a tanning business in Fatehpur, a centre of the leather industry, some 200 miles from Sawai Madhopur.

Mohan Singh Bhati, the police superintendent at Sawai Madhopur, who estimates that 14-18 tigers have been poached from Ranthambhore, says it is the first time Indian police have broken such an extensive poaching ring.

From Fatehpur, the trail led to New Delhi where the police are investigating several fur and skin traders but have made no further arrests. Wildlife experts working for Traffic, a unit of the World Wide Fund for Nature, which monitors trade in endangered species, say that Delhi is an important centre for dealing in skins, bones and other products.

The principal traders are often Kashmiris, who have moved their *businesses to Delhi. Kashmiris have* a tradition of fur-making; they also have long-standing experience of trading with foreigners. They established world-wide networks in the fur trade before international agreements in the 1970s suppressed the legitimate trade in wild animal products.

A few fur shops trade openly in New Delhi, for example in Yashwant Place, a run-down shopping centre favoured by hawkers dealing in smuggled wrist watches and Russian champagne. But Traffic's experts believe that most of the skins are smuggled out of India, mainly to Kathmandu in Nepal, where there is also a sizeable Kashmiri community.

Nepal, like India, has tough laws against trading wild animal skins, but they are barely enforced. Tourists can easily buy coats made of *leopard and other skins in shops* near big hotels. Traffic researchers who visited the area last year counted 294 coats made from the skins of over 100 leopards, 14 clouded leopards and 2,500 other wild cats.

Traffic says tiger skins and bones are smuggled out of India by the *same route but are rarely seen* because of the international publicity that tigers attract. The bones are mostly ground into powder and carried by couriers overland into Tibet or by air to Bangkok and Hong Kong. Vivek Menon, of Traffic's Delhi office, says it is futile trying to estimate how much bone is taken *out of India. "Very few people are* arrested. And they are always the minions."

The conservationists' top priority is to try to stop the bone-related poaching. India, Nepal and China are all signatories of the 1973 Convention on Trade in Endangered Species, the main international agreement restricting trade in wildlife.

In line with the convention, all these countries have passed tough laws against trade in the products of endangered species. But enforcement varies greatly. Even in India, which has a comparatively good record, there is a loophole that allows traders in Kashmir to deal in skins taken from pre-1979 stocks.

Under pressure from conservationists, governments are starting to act. China has announced plans for an east Asian wildlife protocol, an agreement to restrict trade in *wildlife, to be signed later this year* by ministers from east Asian countries. But it is difficult to see what benefits the protocol will bring, other than to remind governments of their existing commitments.

Kamal Nath, the Indian minister for the environment and forests, says protecting the tiger is an issue for all countries. "We need help," he says. The help he has in mind is pressure on east Asian countries brought by the US and other export markets.

Conservationists also believe that important changes are needed in the running of the 19 reserves which now come under Project Tiger. These reserves are the pick of India's wildlife parks, sanctuaries not only for tigers but for numerous other species, including leopards, elephants and the country's last surviving rhinoceroses. The decline in the numbers of tigers has drawn attention to serious shortcomings in the management of these parks.

Valmik Thapar, author of studies on the tigers of Ranthambhore, says the only way forward is to involve local people more in the running of the park. Former poachers would make good gamekeepers. Villagers could be encouraged to work as forest guards. Informants could be paid for tips about poachers.

Without such efforts, the tiger may be doomed.

■ Christian Tyler *(Private View)* and James Morgan *(As They Say In Europe)* are on holiday.

Time to strike camp

Michael Thompson-Noel

MY observation, last week, that some people regarded *Country Life* magazine as antediluvian, mimsy mamsy, camp and affected has drawn hundreds of protesting letters from every inglenook and burrow in rural Britain. The writers did not object to "antediluvian." "Mimsy mamsy" wasn't mentioned. "Affected" they ignored. But "camp" drove them wild.

Typical was Maj-Gen Sir Richard Walter Brian Colin Mark Heathcote-Chubb, who wrote from Cornwall: "You are an abomination, Sir. I expect you are a young person, wet behind the ears, but you are obviously a communist and probably a pervert if you believe that *Country Life* is 'camp.' It is not in the least wit 'camp.' *It describes traditional* pursuits and values – hunting, shooting, steeplechasing, pottery, thatching and rural cooking – that must be meaningless to a degenerate like you from an inner-city sewer like Notting Hill. It's a pity they abolished conscription. A poseur like you would be whistling a different tune if you found yourself in the vanguard of the relief of Sarajevo..."

Ordinarily, I would have dealt with the major-general by sending him a nice postcard – a scene by Caravaggio, say – with an enigmatic message, and left it at that. *But camp is such an interesting* word that I have looked into it more closely.

My dictionary says: camp *adj. informal.* 1 homosexual 2 exaggeratedly effeminate 3 being so outrageously artificial, affected, inappropriate or exaggerated as to be considered amusing [origin unknown] – campness *n.*

Yet there is more to it than that. Here are seven witty/perceptive things you could say about camp *adj*:

HAWKS & HANDSAWS

Camp depends on where you pitch it.

Camp is not necessarily homosexual. Anyone or anything can be camp. But it takes one to know one.

Camp is a disguise that fails.

Camp is laughing at *The Importance of Being Earnest* without knowing why.

Camp is laughing at *The Importance of Being Earnest* AND knowing why.

Camp is anti-art in the same way physical desire is anti-creative.

Camp is a lie which tells the truth.

That is not my own list. I have extracted it from a longer list that appears at the start of *Camp*, by Philip Core – a Who's Who and a What's What of the subject published by Plexus in 1984.

Says Core in his introduction: "Ronald Firbank, the frivolous English author from the world of literary camp, once wrote: 'I must admit that somewhere deep down inside of me there is a field with cows browsing.' From a fop who kept pet goldfish and fed them real pearls (artificial ones, he claimed, they spat out), such a confidence, set in the context of grand hotels and Edwardian society, is just one brilliant example of the stance of concealed normalcy essential to the camp psyche."

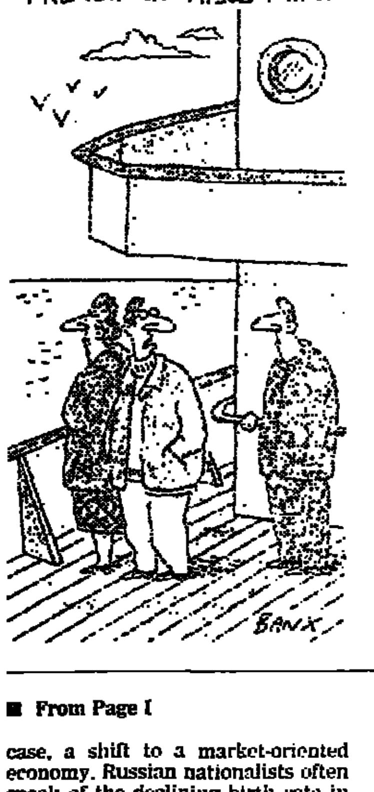
Most of the entries in Core's lexicon of camp cause no surprise: Garbo, Dali, Warhol, Wilde, Sitwell (Edith, Osbert, Sacheverell), Caravaggio, Cartland (Dame Barbara), *Brideshead Revisited*, Bronzino, Jagger, Isherwood, Humphries (Barry), Hockney, Heath (Sir Edward), Gielgud, Garland, Fellini, Erté, Dietrich, Dallesandro (Joe), d'Annunzio (Gabriele), *The Damned*, Vidal (Gore), Valentino (Rudolph), Strachey, Proust, Mishima (Yukio), opera ("the campest of all high culture") and Waugh (Evelyn: "tweediness, snobbery... *consistently* combined awe and reverence for a spoilt and arrogant upper class with an irrepressible mockery of the same attributes which more than pinpointed his own anomalies").

Disappointingly, the author's investigation cleaves mainly to the arts. He could have broadened it to include *industrial camp*, financial camp, political and scientific camp. Politics is especially fertile.

Consider the British government. Kenneth Clarke? Michael Heseltine? Michael Portillo? Michael Howard? Malcolm Rifkind? Virginia Bottomley? Peter Brooke? John Gummer? Sir Patrick Mayhew? Peter Lilley? John Redwood? William Waldegrave? Douglas Hurd? Each of these ministers is as camp as a row of tents. Perhaps John Major's biggest problem is that he is not remotely camp.

All in all, I am convinced that *Country Life* is an example of camp. But I am starting to wonder about "mimsy mamsy."

"WE'RE SO MIDDLE CLASS WE PRETEND TO BE FRENCH ON THESE TRIPS."



Summer Rites/**Nigel Spivey**

The British class system all at sea

THE *PHRASE* "classless society" conjures up all the excesses of the French Revolution. But British premier John Major is not a second Robespierre, and it has to be said that his vision of classlessness remains utterly chimerical. To appreciate how chimerical, you have only to cross the Channel.

It is not necessary to disembark. Simply make the crossing, once a year, to confirm that *égalité*, in British eyes, is still regarded as a coarse continental concept, as distastefully remote from England's shores as *foie gras*, horse-butchers and pistol-waving policemen. It yields the best form of deck entertainment: pacing the various levels of your ferry and noting the many modulations and nuances of British inequality.

The aristocracy is thoroughly conspicuous by its absence. Time was when you might have spotted bulk consignments of the country's peerage, off to fritter their boodle at the gaming tables of Boulogne and Deauville. The seriously rich still go to France but not to those parts, and certainly not by means so putrid and earth-bound as a ferry.

One can see why the gentry stays clear, for the ferries have taken on the unfortunate function of transporting to France great numbers of Britons whose natural inclination is to have as little as possible to do with France or anything French.

The irony is that *The Sun*, staunch organ of proletarian francophobia, actually promotes the sale of discounted tickets; gets the charabancs down from Benfleet and Basildon and fills the ferries with cheery excursionists whose ancestors might once have been flogged into some sort of service by Nelson or Jellicoe but who now present a sorry sight.

The younger ones like to drink, drop their trousers and expose all their paunchy boorishness; the older ones like to drink, too, exploring all nooks of the duty-free shop and raising toasts to French inferiority with a magnum of Blue Nun.

Give them half-an-hour in the bar and they will regale the entire vessel with choruses from Vera Lynn. On arrival in Calais, they want nothing more than to be greeted by a familiar Cockney voice and a leaflet showing the way to the nearest depot of cheap beer.

No wonder the middle classes shy away from the ship's saloon: the last thing one wants to see *en route* to the Dordogne is a *derrière* from Basildon. So middle-class travellers are to be found in the restaurant, or perhaps peeling hard-boiled eggs and spotting petrels on the blustery upper deck.

The really shrewd *bourgeoisie* choose their ferry companies with care. They may know, for example, that one company, Britanny Ferries, recently tried to ban motor cyclists from passage. There were immediate – and probably reasonable – protests from the lobby of well-groomed motor cyclists. But we class-watchers know perfectly well what that ferry company was up to.

It was not so much motor cyclists *per se* they were trying to deter as a gamut of types likely to give offence to the better class of passenger. Men with rings thrust through their ears and dragons emblazoned on their arms. Unspeakable bovine characters who have not only Artexed their ceilings but then trumped that vulgarity by installing electric chandeliers. The last thing that the middle-class mariner wants is fraternity on a ferry with this mob.

It says a great deal about Robespierre's legacy that a correspondingly delicate classification of French travellers is difficult to achieve. On my last crossing I scrutinised a sizeable French detachment for signs of their answer to Essex Man. I saw one chunky Frenchman sporting a tracksuit and a medallion but he turned out to be courteous to the purser, sober at his repast and nicely informed about the later Matisse.

In any case, *l'homme de Pas de Calais* is an unconvincing sort. If he does exist, it is hard to see why on earth he might want to make a day trip to Dover or Newhaven.

As a sociological exercise, traversing *la manche* is really an end in itself. The proper attitude is to study and enjoy all its cheek-by-jowel dynamics. There may be many good reasons for not using the Channel Tunnel when it opens, but the best of all, I think, is that it will be terribly dull.

■ From Page I

Women face a reign of fear

case, a shift to a market-oriented economy. Russian nationalists often speak of the declining birth rate in apocalyptic tones. Ultra-nationalist vice-president Alexander Rutskoi told a stunned audience of women at a conference that it was up to them to "save the motherland" by having more babies. (It was supposed to be a business conference).

The abortion debate is also a manifestation of what Andrei Popov, a medical researcher who has studied abortion in Russia for 13 years, calls the "post-communist syndrome" – an eagerness to undo former policies: a knee-jerk reaction which Popov compares with the frenzied toppling of socialist realist statues of communist heroes that began two years ago.

"If abortions were allowed under the communists, it means abortions must be had because the communists are bad", Popov explains. "There is a tendency to want to stamp out what we had yesterday and turn everything on its head."

But Popov and others insist that banning, or even restricting, abortion would have graver consequences for women in Russia than elsewhere because it has been virtually the sole means of regulating fertility for much longer. "In eastern Europe, their abortion history didn't start until after the second world war", says Popov; in Russia, abortion was first legalised under Lenin in 1920.

However, since no contraception was available, by the mid-1920s there was a shortage of beds in state-run abortion clinics, and fee-charging "commercial" clinics opened to meet demand. By the 1960s, says Popov, a formidable abortion lobby had emerged.

Inside the upper echelons of the ministry of health, a powerful cadre of doctors, who earned handsome fees for providing "extra" services such as anaesthesia during abortions, "blocked the production and development of the contraceptive industry to protect their own interests."

In a propaganda campaign designed to discredit birth control pills, the doctors warned that they could cause cancer and even madness. In true centralised fashion, a report detailing all the so-called side effects of oral contraceptives was distributed to all doctors, hospitals, and clinics across the Soviet Union. As a result, abortion became the only means of regulating fertility that was trusted.

"Everyone was sure that abortion was the best method and this attitude persists today, especially among older doctors", says Popov. In 1991, 3,442,395 legal abortions were performed in Russia, almost 2m more than the number of babies born in the same period.

Family planning programmes are just beginning to emerge, and while IUDs and condoms are available, they are often expensive and of substandard quality. Result: most people are poorly informed about them.

Anita Pollack says she hopes that the controversy over the bill might have at least one positive effect – to help bring women together. "There's a whole different aspect to democracy which is ill-understood in these countries, which is that all this freedom is very well but you have to get together and fight for your rights. It's a painful and difficult thing to do, and is perhaps something that's new, but it's part of the democratic process."

Russian women say they will put up a vociferous legislative fight. But even if the bill is quashed, concern among those who favour abortion will not disappear.

Ironically, if Boris Yeltsin's version of the constitution – which is generally liberal, apart from the "progressive demographic policy" clause – is adopted, Russia's democratisation process could spell a setback to women's rights.